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Final Draft Report

Assessment of Privatization Potential in Zambia

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Introduction

Privatization of state-owned enterprises is a major policy element in A.I.D.'s market- oriented economic development strategy. To further this strategy in Zambia, the USAID/Zambia mission and the Office of New Initiatives, African Bureau, contracted this study. The specific goals of the study are to:

- Assist the Zambian Mission to identify and define discrete, high-return preprivatization project activities in the shortrun and provide the necessary background and framework for a Fiscal Year (FY) 1993 privatization project to be designed in the summer of 1992
- Assess the status of privatization activities in Zambia to determine the feasibility of initiatives for supporting the government's planned divestment of public companies to private sector investors and operators

A team of two privatization experts visited Lusaka for 3 weeks to examine the potential for privatization. While there, they were given offices within the Technical Committee on Privatization (TCP) of the Ministry of Commerce, Trade, and Industry, where they gained a complete understanding of the workings of that office. They also interviewed prominent Zambian and expatriate businesspeople, bankers, lawyers, accountants, bankers, and government officials. Other interviews and investigations were accomplished in New York, Washington, and London at the offices of the World Bank, the Commonwealth Development Corporation, and the Meridian Bank.

Executive Summary

Conclusions

Strong support is urged to assist Zambian officials in their efforts to privatize state-owned enterprises and rationalize the economy. However, major political and bureaucratic decisions must be implemented over the short term, through September 1992, before commitments to full donor support can be completely made.

Overview

Four distinct issues are paramount for this study of the privatization effort in Zambia:

1. The political environment for privatization: Will the privatization process be derailed or distorted by opposition from the parliament, the bureaucracy, labor, and government-linked business?

2. The adequacy of current efforts leading toward privatization: Are these beginning steps moving in the right direction?

3. The political and operational issues: What political and operational issues will affect future privatization efforts?

4. Technical assistance: What technical assistance will be required from outside donors?

The Political Environment

As of the publication of this report in late April 1992, the political environment appears to be supportive of privatization, and current efforts toward privatization are adequate and deserve of support and technical assistance. However, the privatization effort has just begun. It is frail and vulnerable to political groups who risk losing fiefdoms, businesses tied to the old parastatal structures, popular ideological resistance to private ownership, and the long impact of recession and drought. The parastatal mentality, a legacy of 27 years of statist rule, still lingers, even among the most fervent supporters of the free market. Zambians in both the public and private sectors still instinctively look to the state for protection against local competition, against imports and against redundancy. The privatization effort will face its greatest political challenge in the next 4 months, when the following goals should be met:

- The Parliament is due to pass an **effective** privatization law (May/June) that will test the Movement for Multiparty Democracy (MMD) commitment (see Appendix A, "The Privatization Bill").
- The government must increase staffing of the Technical Commission on Privatization to render it functional (May/June); this increase is a critical test of the Cabinet's commitment.

- At least 10 privatizations should take place as a test of the privatization program's effectiveness in order to release World Bank and donor credits (September).

While these goals are likely to be achieved, there is significant risk; political infighting is developing and newspaper articles are questioning the wisdom of the rationalization policies. Labor support is uncertain, and sabotage will develop within the government bureaucracy. The government has yet to confront the serious issues of redundancy, closure, and restructuring that privatization requires.

Therefore, donor assistance should be carefully restricted until the privatization committee is performing effectively, with sufficient and qualified officials, under suitable legislative authority.

Sources of Support for and Opposition to Privatization Policies

Support for privatization comes from the Movement for Multiparty Democracy party manifesto, the President, and the ministers of finance and commerce, as well as some elements within the opposition. The greatest source of support is the donor consultative group's carrot of more than $2 billion in assistance to Zambia over the next 5 years, which is contingent upon privatization and other structural adjustment conditions being met.

Logically, the opposition to privatization has few options. The economy is very weak and dependent upon donor assistance, and the October 1991 election was a manifesto for liberalization of the economy. However, logic alone does not propel politics, and powerful interest groups remained opposed. Among the major sources of resistance against the privatization effort are MMD backbenchers, institutional opposition within the bureaucracy and the parastatals, and rank-and-file labor. Major problems in the effort will arise because of a lack of understanding of the privatization process, a dearth of qualified officials, a dearth of local capital, and tribal and ethnic rivalries.

The Forces for Reform	Obstacles to Reform
The World Bank	Ministerial commitment
The President	Parliamentary opposition
The financial and business ministries	Institutional opposition
The donor community	Labor
Economic reality	Dearth of qualified officials
$2.5 billion in assistance	The pace of change
	The lingering statist mentality

Politics and the Media: Critical Short-Term Factors

Public opinion and the Zambian newspapers will play a critical role over the short term in determining the success of the privatization program. Adequate legislation must be considered and enacted before the process begins, but the Parliament is facing increasing pressure from the media in the form of negative articles that question the sale of public companies to foreign entities, the participation of Zambian officials in future privatization efforts, and the transparency of the entire effort.

Facing the complex task of reshaping the nation's economy in time of recession and drought and having to fight internal bureaucratic obstructionism, the government is hard pressed to develop a strategy or a public education campaign that can adequately answer the constant barrage of negative publicity.

The government urgently needs to take the offensive to explain the purposes and benefits of privatization; to discuss the goals with leading Zambian politicians, businesspeople, labor leaders, and journalists; and to explain the options if privatization does not succeed. Failing this, there is a clear danger that the privatization legislation that will emerge from the Parliament in June will not be sufficiently strong to permit effective implementation (see Appendix A, "The Privatization Bill").

The Adequacy of Current Efforts

The goal of privatization is to radically transform a nation whose parastatal sector supplies 80 percent of all employment to one dominated by a vibrant, freely competitive private sector. This is a difficult chore under any circumstance, but in the current environment of drought and economic recession, it is especially hard.

The government has moved slowly to implement the liberalization policy. Though it has established a Technical Committee on Privatization (TCP), its small professional staff of six lacks experience in the process. Nonetheless, the TCP is moving dynamically to establish the structure for privatization once the privatization bill is enacted. In addition to writing the new law, the TCP has:

- Developed donor support for technical assistance
- Begun initial staff training
- Overseen the choice of the first 18 companies to be divested
- Negotiated with parastatal management on the most effective manner to proceed
- Coordinated corollary activities (for example, social and credit needs) with other ministries
- Contracted company and asset valuations of the initial firms to outside valuators
- Established procedures to be followed in the initial effort

- Begun public relations seminars with local interest groups
- Set plans to begin privatization of the second tranche of larger firms.

The general conclusion is: **while there is no doubt that the implementing agency is committed to the process and straining its meager resources to bring it about, the overall commitment of the government to fulfill the program remains in doubt.** The evidence for the lack of commitment is the slowness in passing implementing legislation and the reluctance to increasing the TCP's staff to a functional level.

The Best Case Scenario

There is substantial evidence that with strong political support, an optimistic scenario will develop for privatization. Under this scenario, a strong privatization law will be enacted in early June with a sizeable parliamentary majority vote. Under this scenario, other World Bank conditions also will be fulfilled, thereby allowing for disbursement of the first tranche of financial assistance.

With strong democratic support, the government, under this scenario, will immediately initiate its privatization program in a two-pronged approach:

1. The government will open negotiations with minority shareholders of large parastatals in the hotel, manufacturing, and retail sectors to determine value and sale price of shares, enabling majority control by private foreign owners. The government will retain substantial minority holdings but will commit to sell these shares once a stock exchange is established and functioning and sufficient credit is made available to the market for Zambian private sector participation. A similar process will begin to return some companies to their original (foreign) owners once valuation and past public sector debts are negotiated.

2. The TCP will begin tendering smaller companies to Zambian citizens through mutual funds, venture capital firms, and other financial instruments. Management buyouts will be promoted.

Other corollary measures will also take place under this scenario. Some of the smaller, public sector holding companies will be eliminated, their holdings merged into one giant holding company. All government-owned land will be put into a trust to avoid the bureaucratic maze of regulations and red-tape in land transfer approvals, which would obstruct the sale of parastatals. The Trade Act will be reformed to allow foreign participation in local retail operations. The Foreign Investment Act will be modified and a New Stock Exchange Act promulgated. Negotiations with previous owners, whose holdings were nationalized in the 1970's, will reach agreement as to past obligations and debts. Barriers to debt swaps will be reduced for "greenfield" operations.

The success of this process will rely upon the government's ability to gain support for its privatization legislation. If there is strong controversy and political support for divestiture wanes, then the government will have to shift gears and slow the process. The TCP would then begin to tender shares to Zambians (Prong 2), postponing the sale of larger companies to foreign enterprises to 1993 and beyond. Reform of the regulatory environment would also proceed at a more measured pace.

The slower the process, the more likely that political obstructionism and unforeseen barriers will develop, threatening structural reform. But reform can achieve quick, dramatic results, in the form of increased capitalization of productive enterprises and improved services, if strong momentum develops quickly. This is the key rationale behind the strong donor assistance program for the privatization effort that this assessment recommends.

Future Issues

Once the privatization effort has been launched effectively, major problems will develop that could stymie or dilute the privatization effort. Privatization is a political action that will have short-term negative effects on substantial portions of the population (for example, unemployment, economic uncertainty). There will not be simple solutions for these effects, and the process, inevitably will face political pressures to modify operations. Among the major issues are:

- *Credit.* How can Zambian businesspeople take advantage of privatization opportunities without access to sufficient levels of credit in the current financial environment? And, after purchase, how can business raise funds to finance capital improvements? Can undercapitalized Zambian firms afford the inflated salaries and costly benefits inherited from parastatal ownership? Proposals have been advanced to create mutual and venture capital funds to support Zambian businesspeople. Meridian Bank is developing such a facility. But which businesspeople should receive the credit? Will access to cheap credit artificially inflate the bidding price, leading to financial pressures once a business becomes operational?
- *Redundancy.* Who should bear the brunt of rationalizing parastatal operations, the current owner or the new buyer? Most effective privatizations throughout the world have had the state bearing the brunt. In this way, the new enterprise begins operations with a clean slate, as would any new company. But the firing of thousands of workers may be politically unacceptable in Zambia. Other major social issues arising from rationalization of the economy must also be addressed.
- *Tribes and Ethnic Groups.* Privatization works best through the tender process. But certain tribal groups have better positional and capital advantage than others. The government is already facing charges of bias in its ministerial appointments. In addition, the Asian business community is far better positioned to bid than most other Zambian groups. Should the bidding process be biased to allow for tribal and ethnic diversity to ensure widespread political support; if so, what will be the effect on the "free market" process?

- *The Need to Show Profit.* Most privatization efforts suffer "reverse sticker-shock" when government sellers realize the market value of their firms is nil or worse. The TCP is under pressure to show positive income from privatization sales; politics demand that new owners pay something. But this may run against the market because many firms are either inoperative or are working with heavy government subsidies; their effective worth is nil without new investment.

Technical Assistance Requirements

Zambia requires considerable long-term assistance to develop its human resources. The heritage of statist rule is a narrow band of Zambian managers and a large population lacking business skills. For example, many Zambian public and private sector firms import Indian personnel to serve as managers and accountants of their operations, paying expensive hard currency salaries and benefits because of the dearth of local talent. Others hire European or Southern African management firms to oversee operations. Beyond the lack of basic managerial training is the need to develop a business, free-enterprise mentality that will permit Zambian entrepreneurs to develop competitive skills in marketing, commerce, and finance once they take control of small and medium-sized businesses.

The public sector also lacks trained personnel and hands-on experience and requires a broad range of assistance to implement its liberalization strategy. Effective credit markets must be established, parastatal companies have to be made viable or closed, social issues must be addressed, and training in business concepts and practices must be provided. Many of these needs lie outside the scope of the privatization effort, under the aegis of the Central Bank, the Minister of Finance, the Minister of Commerce, and the Social Action Committee.

Broad assistance has been offered by the World Bank in the startup of the TCP, the financing of initial company and asset valuations, and the writing of relevant legislation. The World Bank has also announced that it planned to begin coordination efforts for privatization among the donor groups at the end of April 1992.

However, negotiations have already reached an advanced stage with bilateral donors. Among the key groups providing assistance for training, promotion, social concerns, and valuation are DBZ, NORAD, EC, ODA, and Ireland.

USAID has committed to fund a short-term manager to serve as project director in the TCP, to offer training resources through its Human Resources Development Assistance (HRDA) project, and provide technical expertise in publicity and public relations. In addition, some short-term assistance will be provided through the International Executive Service Corps (IESC).

For the long-term, it is recommended that USAID consider providing technical experts in the following areas directly to the TCP:

- Financial analysis

- Business analysis
- Valuations and pricing
- Investment relations
- Negotiations expertise
- Public education
- International promotion

This team of professionals, to be attached to the TCP for 2 years, would work side by side with Zambian government officials to transfer skills and experience. Together, the team would guide the privatization effort, recommending changes in implementation when necessary.

Beyond this expertise, Zambia will require large assistance to what will be a developing entrepreneurial class to transfer basic private sector skills and competitive strategies to them.

A key issue is whether USAID or any international donor agency should fund the expansion of local Zambian TCP staff or whether the Zambian government should provide this support as an indication of its commitment. All other donors—including the World Bank—have chosen the second position, and it is recommended that USAID follow this position. The issue was to be addressed with the formation of the donor coordinating committee in April.

Conclusions: Privatization Reconnaissance in Zambia

I. Background

The Political Environment

In October 1991, Frederick Chiluba became the first politician in anglophone Africa to oust through the ballot box the leader and party that brought the country to independence. President Chiluba took 81 percent of the vote, while his Movement for Multiparty Democracy (MMD) party won 125 of the 150 legislative seats. Outgoing President Kenneth Kaunda retired gracefully. His United National Independence Party (UNIP) effectively became a regional party, winning most of its seats in the Eastern Province.

While there is an expressed fear that the election produced, once again, a uniparty democracy, this is not the case. The MMD is a coalition of different groups, brought together by their opposition to the previous regime, that is already forming into factions over parliamentary issues. Indeed, a key question for the foreseeable future is whether the MMD coalition can hold in the face of major economic and political reforms to fulfill President Chiluba's electoral promises: economic rationalization, privatization, and free markets.

The Economy

President Chiluba inherited a major recession and serious drought from the previous government. Gross domestic product fell by 4.5 percent over the past 3 years due in part to low global copper prices, but equally due to economic mismanagement. Heavy subsidies, poorly run parastatal operations, fiscal incompetence, destabalizing monetary policies, and a range of other structural problems crippled economic performance. Credit was scarce. There was little foreign exchange in 1991 because of a large shortfall in external assistance—a result of poor relations between President Kaunda and the donor community in the last year of his reign. Annual inflation has been running at more than 100 percent, higher than any time in the last decade, and real incomes are falling. Even during years of moderate rains, such as 1991, agricultural performance was poor, forcing large imports.

President Kaunda had resisted donor recommendations to reform Zambia's economy. But within days of taking power, President Chiluba invited missions from the International Monetary Fund (IMF) and World Bank to Zambia, and serious moves were begun toward implementing a Structural Adjustment Program (SAP). The new government's measures were a basic shock therapy to the economy:

- Wage and price controls were removed
- Subsidies were abolished
- Fiscal austerity was imposed on government offices
- The Ministry of Commerce, Trade, and Industry was given a lead role in the elimination of barriers for local and foreign private investment, implementing rationalization of

parastatal industries and developing the administrative framework for selling off state-run enterprises.

- Initial steps were taken to rationalize parastatal performance and to prepare legislation to move toward a free market economy.

In response to these and other commitments, the Donors' Consultative Group promised in March 1992 to provide strong support to the SAP over the next 5 years.

The Kaunda Legacy: A Statist Mentality

Kenneth Kaunda ruled Zambia for 27 years, transforming what had been a growing economy into a lethargic and inefficient state-run enterprise. The nation's per capita gross national product (GNP) fell 2 percent per year since independence in 1965. Foreign reserves dwindled, from $3 billion in 1965 to $150 million today, while Zambia's foreign debt soared to $7.6 billion. The nationalization of Zambian industry began after Kaunda's "Mululungushi Declaration" in 1968. Two years later, the government took control of all foreign-owned copper firms. Revenues from these then-profitable enterprises were used to nationalize most of the nation's industrial sector. The Zambian Industrial and Mining Corporation, Ltd. (ZIMCO), the state holding company, gained control of some 140 businesses, including the Zambian Consolidated Copper Mines (ZCCM), hotels, real estate ventures, and the nation's only insurance company.

As elsewhere in Africa, the statist economy evolved as an inefficient maze of subsidies, nonpaying suppliers and vendors, "invisible" workers, corruption, nonperforming service firms, and economic losers. The guiding principal was the maintenance of wages rather than the promotion of productivity. But the end result was a system of byzantine managers who were able to maintain a strong standard of living regardless of their operation's economic performance. Restrictive trade practices, an overvalued kwacha, government allocation of public funds and foreign exchange, import quotas, and tariffs were installed to protect the weak structure.

A critical legacy of the structure is the lingering, statist mentality: even among leading MMD officials nominally committed to developing a free market, there is a strong tendency to resist risk or to allow profit and to turn to the state to maintain economic equilibrium. This mentality will continue to plague Zambia as it proceeds through its SAP.

II. The General Status of Privatization in Zambia

The government of Zambia (GRZ) is in the midst of a sweeping economic reform program designed to convert Zambia from an inefficient, statist economy to a free market. This ambitious project is being accomplished with substantial support from donor nations, led by the World Bank. The Bank has established key targets to serve as conditions for release of funds to assist Zambia's depressed economy.

An essential part of the reform program is a major move to privatize most of the country's public sector industries. With October 1992 elections deposing the old guard in Zambia, most of the new leadership is committed to change and breaking with the past. Top-level government officials and business and labor leaders alike understand that in this nation where the state controlled most productive resources for the last 25 years, privatization and parastatal reform will release economic productivity to yield wealth from Zambia's natural resources. But they also know that a successful privatization effort will have widespread implications for the nation's economic and political stability. The role of the public sector in Zambia is huge:

- Eighty percent of the industrial workforce is employed, either directly or indirectly, through the public sector. Parastatals account for 50 percent of industrial (nonmining) output. Government-owned enterprises provide 93 percent of all foreign exchange. All Zambians rely upon the government, directly or indirectly, for food supports, heavy regulation of benefits, or subsidies to their place of work. Only banking, commercial agriculture, construction, and transportation remain in the private sector.
- The public sector has diverted resources from more productive areas through subsidies, favorable credit treatment, protected markets, and so forth. Even in the private sector, the state has heavily subsidized most food and service products.
- Wages and prices have been kept under tight control.
- Protectionism has been enforced both through parastatal monopoly, financial restrictions, and formal trade barriers. Heavy local regulation restricts competition in most areas. The result is high prices and poor service.

A number of state entities act as holding companies. The largest, the Zambia Industrial and Mining Corporation, Ltd., is responsible for some 120 parastatals, ranging in size from the giant Zambia Consolidated Copper Mines to small bakeries and breweries. ZCCM itself acts as a holding company, with 30 subsidiaries. The Industrial Development Corporation (INDECO), another major holding company, is also 100 percent owned by ZIMCO.

Between 1985 and 1989, the ZIMCO group received hidden subsidies totaling about $455 million and paid only $22 million in dividends to the government. Losses and subsidies among other holding companies have been insignificant but these data hide large inefficiencies. Poorly managed, the public companies will not be able to survive in a competitive environment without managerial reform. Some will not survive. Many public sector firms were given protected markets, which allowed them to monopolize the provision of services. Others have guaranteed clients in other state entities and will not be able to compete as trade liberalization proceeds. Accounts receivable are a major issue: most parastatal firms have either not paid or not been paid for services offered to or received from other parastatal firms.

Obstacles to Privatization

In sum, Zambia's economic structure will be transformed. But there are powerful forces fighting both for and against the status quo. The President and most of the MMD leadership is committed to beginning privatization and other economic reforms. International donors will provide the financial and technical support. But the government has not effectively communicated the purpose of its program to the populace, and opposition, albeit minor, is building.

Privatization faces a number of near-term major obstacles, most of them political. Among these are:

- *Government Commitment.* Though the newly elected MMD government ran on a platform to privatize the economy, not all members of the government are in conformity with this policy. Strong supporters of privatization are in the Finance and Commerce Ministries as well as in the Executive. But a broad range of views are represented among the 52 powerful Minister and Sub-Minister officials.
- *Parliamentary Opposition.* The MMD holds a large majority in parliament, but the party is a coalition grouping of various ideological, regional, and tribal groupings brought together initially to oppose the previous regime. Many of these representatives are allied with parastatal bodies, through region or blood, and will be affected by the privatization process.
- *Institutional Opposition.* Overt obstruction is developing from those groups that privatization most affects. Above all, well-paid senior public sector officials will be the most affected because initial rationalization will rationalize their posts. This is particularly true among the senior managers of ZIMCO and INDECO nonmining holdings.
- *Labor.* Industrial labor organizations are very strong. President Chiluba was the head of the 300,000-member Zambian Congress of Trade Unions before his candidacy. But in the current economic recession, job actions are widespread and the government risks losing support. Senior labor officials have not opposed privatization reforms in that they view the end-goal as leading to more job creation. But there are indications of opposition from the rank-and-file, and there is fear that the leadership will lose control unless the benefits of privatization are better understood.
- *Understanding.* The implications of a privatization process are not completely understood, either in or out of government. As the Eastern European example shows, privatization is seen as a break with the statist policy of the deposed UNIP regime. But as the implications of the policy take hold—the end of privileges, employment,

subsidies; exposure to market forces; and an end to state rectorship over the economy—even the firmest supporters of the process are likely to alter their view.

- *Dearth of Qualified Officials.* Though the government's intentions are clear, there are few Zambian managers in or out of government who have experience either in modern accountancy or in the political process of privatization. The government will be forced to retool and retrain its officers from overseeing public enterprises to understanding the needs of a free market economy.
- *Pressures to Change.* The government is under intense pressure to begin the privatization process immediately. It must soon initiate the first privatizations before it loses the political momentum provided by the overwhelming October 1991 election. Beyond this, the World Bank has established ambitious goals (see below) that require rapid legal changes and policy implementation prior to releasing funds.
- *The Pace of Change.* "Perhaps the most difficult lesson that has been learned by both governments and donor agencies is that privatization is a long, slow, and complicated process. Expectation of immediate results by any party involved is likely to end up in frustration and disappointment." This judgment, from L. Gray Cowan of AFR/ONI, USAID, could well apply to Zambia, where World Bank pressure is forcing rapid reform efforts. On the other hand, if changes are brought about too slowly, political opposition will increase and the process will risk end.
- *The Economy.* Policy reform is being implemented during a period of deep economic recession inherited from the previous government. The 1992 drought further aggravates the situation.
- *Dearth of Local Capital.* For privatization to succeed at the political level, there must be substantial local Zambian participation. But recession and government policies restrict capital markets. Capital flight rather than capital return is the general rule in Zambia today. Financial reform, mutual funds, private pension plans, venture capital funds, and credit instruments must be established to facilitate the process.
- *Old Habits.* Most public sector reforms are being carried out by government officials who have lived in a statist economy for 25 years. While many of these managers are firmly committed to change, their initial bias is to turn to the state for support, subsidies, and protection. This long learning curve disrupts and delays the process.

The Regulatory System

The Zambian legal and regulatory system is outmoded, based either upon the British Companies Act of 1909 or statist principles designed to control rather than promote competition. Many companies do not have a credible accounting system; some have never been audited. Principles and standards do not exist in many firms' books.

The outgoing government did promulgate a new, more liberal **foreign investment legislation** in the last days of its reign (see Appendix B, "Investment Act No. 19 of 1991"). But the act is flawed and requires modification. The 25 percent tax on profit remittances, levied on top of other fiscal measures, is confiscatory and must be altered. In addition, generous investment incentives place some domestic firms at a severe disadvantage.

New **stock exchange legislation** was also enacted in 1991, but it too needs revision. Because of the government's desire to limit risk and restrict speculation, the initial sale of shares was allowed, but resale was banned. Stock brokerage was also disallowed. New stock legislation will likely be implemented in June 1992.

Currency controls are dysfunctional; even though the government may legally allow access to hard currency, the Central Bank interferes, establishing queues that in some cases last 2 to 3 years.

Other major legal changes must be implemented to promote a strong enabling environment. A maze of **trade and zoning regulations** restricts all business. Two to 3 years are required to begin a simple business before all red tape is eliminated. Corruption and local protectionism is rife. Effective **monopoly and bankruptcy legislation** must also be enacted before an effective free market system can develop.

Government Commitments and Policies

Many of these obstacles will be overcome, both because the room for policy maneuver is small in this economic environment and because many Zambians have repudiated the old statist model. In November 1991, the victorious MMD pronounced in its party manifesto:

> *The MMD is committed to Privatization in order to optimize resource utilization, enhance the productivity and profitability of the public sector and assist in the reduction of the Government deficit. To facilitate Privatization, MMD will as a matter of urgency establish a stock market. The current economic role of Government as a central participant in business undertakings shall cease. Free market and not nationalization will become the foundation stone upon which the economy under an MMD Government shall operate.*

Government commitment to privatization has been further confirmed both in agreements with the World Bank and bilateral donors. The policy was guaranteed in promises to the Donors' Consultative Group meeting in Paris in March 1992.

As part of the World Bank agreements, the government promises to privatize about 150 companies over the next 5 years and will ensure that the privatization process will "make a positive contribution to competition, minimizing concentration of ownership." Furthermore, it seeks to reform the remaining parastatal sector to "enhance economic efficiency and financial performance." Apart from the utilities, the oil monopolies, and the copper companies, all companies are for sale without restrictions on ownership (for example, foreign or Asian), other than as needed to prevent monopolies. The remaining firms to remain in government hands will be put on independent financial footing and will not be permitted to receive government financing or subsidies.

The two key short-term conditions that the World Bank and GRZ established are the passage of an effective privatization law by June 1992 and the divestiture of at least ten public sector firms by September 1992. These goals are driving the current privatization effort; failure to achieve them will deprive Zambia of some $200 million in World Bank assistance in addition to other bilateral donor support.

Privatization: The Current Status

The Ministry of Commerce, Industry and Trade controls the divestiture process through its Technical Committee on Privatization (TCP). The TCP works closely with other ministries and parastatal institutions to implement the program. A World Bank program to rationalize parastatal operations before privatization, for example, is being accomplished chiefly at the ZIMCO holding company. For agricultural matters, all company and valuation studies are being accomplished at the Ministry of Agriculture, although the final privatization process will be handled through the TCP.

TCP Staffing

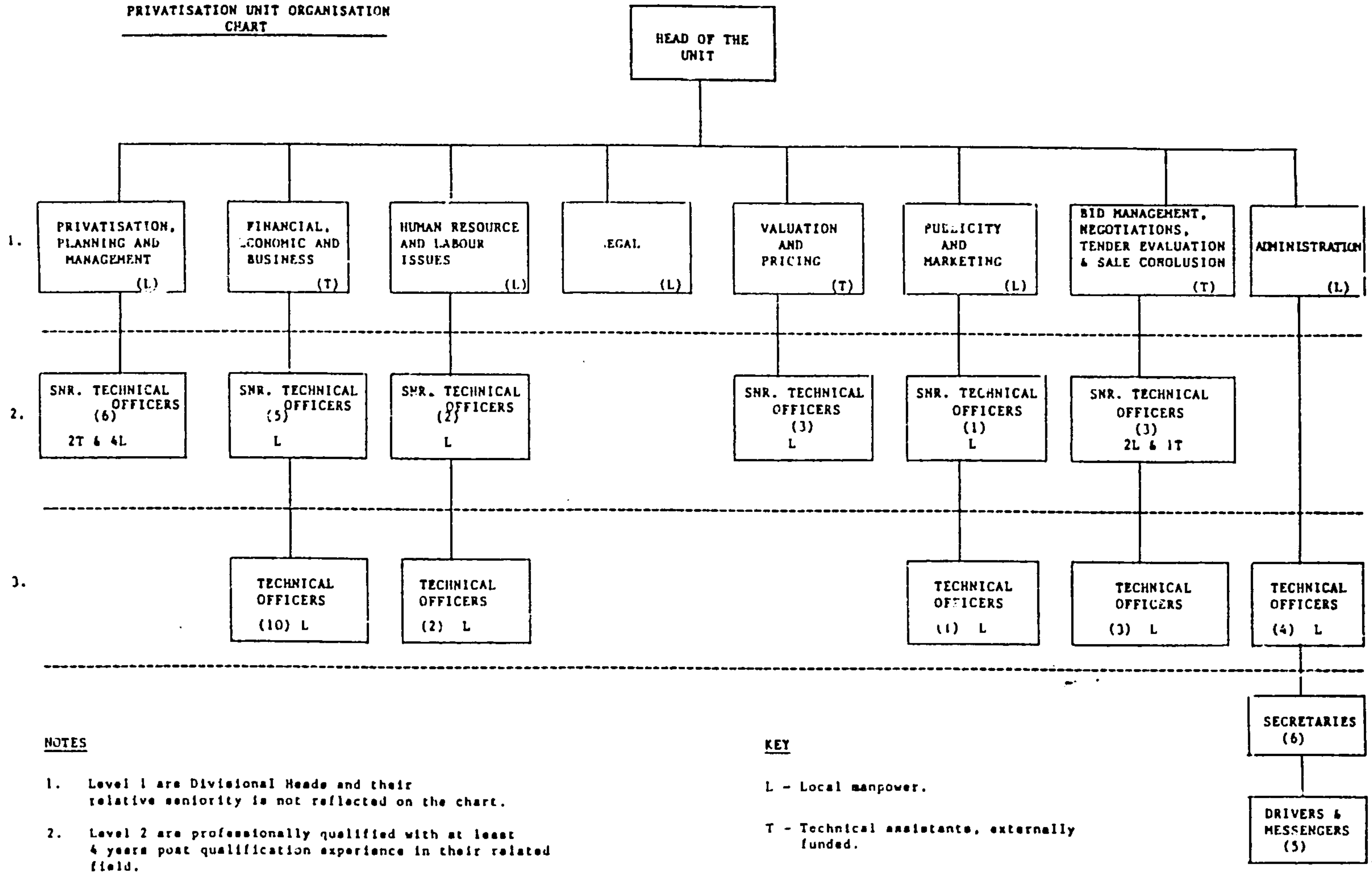
There is both a dearth of qualified Zambian technicians as well as other professional staff in the TCP. Though potential donor support for the TCP is strong, there is a question as to the absorbative ability of these few members.

The TCP reports directly to Mr. Dipak K.A. Patel, Deputy Minister of Commerce, Trade and Industry, and is headed by Mr. Paul D.B. Munungwe, Director of the Technical Commission on Privatization (see the Privatization Unit Organization Chart, next page, and the description in Appendix C, "Organization chart for Privatization Unit"). It has six other officers: Stephen Mwamba (management, training, and capital markets), Sheila Siwela (Human Resources), Peter M Kang'ombe (Finance), Mudford Mwandinga (Legal), Steve Anleya (Finance), and Joe Kuleneta (Publicity). In addition, Aloysius Lubasi is attached to the office to assist in a financial capacity in the privatization of Zambia Clay. None of these managers has experience in privatization, or accountancy skills. Aside from Mr. Munungwe, they are seconded from ZIMCO administrative offices. ZIMCO pays for their services; the TCP will recompense the parastatal from the proceeds of future privatization efforts.

In addition, technical assistance is being provided through an Overseas Development Administration (ODA) technical assistance grant by Ms. Lana Kinley of Touche Ross. Corollary assistance has been provided by the World Bank in a study of public sector reform.

The TCP has requested that the Ministry of Finance provide funding to transfer to the TCP officials of the now-defunct Commission of Budgets and Prices. Such a move would provide a strong technical base for operations as well as the talent for privatization training. However, the government claims to lack the finances to support this staff. Other considerations also may be obstructing this move, such as bureaucratic opposition to privatization. Because of this obstruction, **increased Zambian staffing of the TCP should be a key condition of additional donor assistance as a sign of the government's commitment to reform.**

PRIVATISATION UNIT ORGANISATION CHART



NOTES

1. Level 1 are Divisional Heads and their relative seniority is not reflected on the chart.

2. Level 2 are professionally qualified with at least 4 years post qualification experience in their related field.

3. Level 3 are professional qualified with little or no post qualification experience.

21 February, 1992

KEY

L - Local manpower.

T - Technical assistants, externally funded.

Numbers in the boxes denote number of personnel required, e.g. 2T means 2 Technical Assistants.

The Legal Requirement

Most of the current efforts toward privatization are on hold until effective enabling legislation can be implemented. The government will not proceed with the privatization process unless the Parliament endorses a new Privatization Law meets in June. This is a political decision, because the President clearly has the ability to begin divestiture under current legislation. But he feels he needs a general endorsement for political purposes.

Beyond the issue of passage is the issue of the form the enacted legislation will take. Timing is another problem. Failure to pass the legislation in June will delay divestiture efforts, making World Bank conditionality difficult to meet.

Other Measures

While awaiting passage of legislation, the TCP is moving ahead by attempting to gain donor assistance for its long-range program as well as providing some short-term training to its staff through GTZ. In addition, the World Bank is financing the initial country and asset valuations for the first companies to be privatized. The TCP has also:

- Overseen the choice of the first 18 companies to be divested
- Negotiated with parastatal management on the most effective manner to proceed;
- Coordinated corollary activities (social concerns, credit needs, and so forth) with other ministries
- Contracted company and asset valuations of the initial firms to outside valuators
- Established procedures to be followed in the initial effort
- Begun public relations seminars with local interest groups
- Set plans to begin privatization of the second tranche of larger firms

III. The Government Privatization Program: The Outlook for Success

As it is currently formulated, the privatization program is likely to achieve its chief goals of divestiture because of the government's political will, pressure brought by international donors, and the tight room for maneuver the economy offers. Strong donor participation is urged in the process through technical assistance to ensure that the effectiveness of the program is not diluted. Among the potential "diluting factors" are the following:

- *Legislation.* The new privatization legislation must follow the clear outline of the current, draft legislation.
- *Transparency.* The privatization process must be open and follow clear guidelines.
- *Monopoly.* The goal of the entire reform is to ensure open markets. Privatization must not create monopolies in specific markets.
- *Corruption.* Most Zambians are skeptical that privatization will be accomplished honestly. A process must be developed that will remove any hint of corruption.
- *Capital Markets.* Because of a lack of capital both for purchasing public sector firms and for modernizing obsolete machinery, effective capital markets must be created rapidly to ensure local participation. But the method in which the markets are created is critical to the success of privatization: Which Zambians receive capital and which do not will be a key issue. If government offers terms to current company managers and continues to dominate the newly privatized firms because of its financing, privatization will be a useless exercise.
- *Labor and Financial Rationalization.* Most other privatization experiences show that these efforts succeed best if excess labor and financial burdens are reduced before divestiture. In this strategy, new firms begin on a fresh footing, without old burdens or without the necessity to render redundant a portion of the work force. However, in the current economic recession, moves to reduce the labor force are fraught with peril, and the government could well postpone major redundancy efforts until after company sales. Here, international donor assistance is critical.
- *Reverse Sticker-Shock.* Most privatization experiences reveal early on that the value of public companies to be sold is far less than the government or public believes. Sales must be developed that will yield some revenue to the government, while providing compensatory benefits to buyers.

Some of these goals will be very difficult to fulfill. The government seeks to ensure that Zambians (non-Asian) gain control of a substantial number of privatized firms; but any targeting away from Asian citizens—who have a large amount of the domestic commercial capital—will be difficult. In addition, many of the leading Zambian businesspeople hold cabinet or other high-level positions in the MMD government. While they are not likely to participate in the current wave of privatizations, family or tribal relations or business partners are. The current debate involves two issues:

1. If leading businesspeople in the government are interested in privatized companies, why shouldn't they participate as long as they have no direct involvement?

2. How can extended family participation in the process be limited?

The Timetable

The TCP is functioning under the timetable approved by the government. As the process develops chronologically, the TCP will gain knowledge, experience, and efficiency. The level and size of privatizations will increase. Implicit in the timetable (see next page) is the continued political will of the government, its cabinet, and the Parliament to sustain the MMD privatization program.

Critical to the success of this timetable are corollary legal reforms of foreign investment and stock market legislation. In addition, credit markets must be opened up and monopolistic legislation annulled. The land law must be changed.

International donors must play a major role in support of the privatization effort, both in terms of direct technical support, financing of TCP operations and company studies, and in assessment (see parts 3 and 4 below). The guidelines for rationalization of Zambian parastatals are near completion. The government is holding informal negotiations with the Commonwealth Development Corporation (CDC)—which has substantial holdings in Zambia—to assist in the privatization process.

A number of local businesses have already indicated interest in acquiring some of the companies, and some 85 expressions of interest have been received during the initial, failed first tranche effort in 1991. So far, foreign companies have focused on equity-equity swaps, but active conversations are proceeding, albeit in a limited fashion because of the lack of legislation.

Beyond the first tranche, the government plans to privatize early those companies seeking to make new capital investment and will avoid new investment in firms to be privatized. It also will amend the Stock Exchange Act so that a suitable small-scale stock exchange can be brought into operation. Local financial institutions have already expressed strong interest in making a stock exchange work.

Possible Modifications to the Privatization Plan

If a strong privatization law is enacted in June 1992 with clear parliamentary support, the government will be free to begin negotiating with:

- Firms holding sizeable minority ownership and those that will be able to gain majority ownership through the sale of a relatively small number of shares. The government will be able to maintain a minority stake, to be divested when a stock exchange is working effectively.

Privatization Timetable

April 30, 1992	Final Legal Draft of the Privatization Bill
May 15, 1992	Completion of company reports for the first 18 companies to be privatized (TCP contractors)
May 31, 1992	Privatization Bill passed by Parliament
June 1992	Advertising of first companies for sale
	Short-term training of TCP contractors
July 1992	Asset valuation of 18 companies
August 1992	Packaging for sale of 18 companies
August 1992	Preliminary qualification of bidders
September 1992	Tendering of firms
	Post-tender negotiations and privatization of first 10 firms
	Initiation of next privatization tranche
	Release of $200 million in World Bank financing, of which $10 million will be devoted to private sector development and privatization
September-December 1992	Conclusion of sales for all 18 firms
June 1993	Conclusion of sales for second tranche of companies (16 companies)
	First public flotation
December 1993	Tranche 3 (15 companies)

- Companies whose holdings were nationalized, but have never received restitution. Many of these firms are in the retail sector and possess the knowledge of the market; they will be willing to return and recapitalize their operations. The key asset in these businesses is location.
- Large foreign-based management firms that have been running many parastatal firms for the government but have been unable to expand their operations because of a dearth of capital.
- Venture-capital, trust, and mutual funds; many companies are beginning to form to provide assistance either to current managers (MBOs) or for new ventures.

Before these negotiations can succeed, the Zambian government must reform laws and implement a carefully developed investment policy. Debt-Swap regulations must be changed. The government must reach accommodation with foreign creditors to whom it is indebted (for example, Unilever, Commonwealth Development Corporation).

Once these large privatizations are successfully implemented, the government will likely move toward larger utilities: the telephone company and the railroads. Eventually, some planners expect the government to divest its mining operations; mining firms have already approached Zambian officials to discuss the subject.

Ownership: The Government View

The President has publicly emphasized that all investors are welcome and that all government statements must send the right signals to all potential investors, both foreign and local. Zambia needs extensive foreign investment, without which the economy and the profitability and efficiency of commerce and industry will not improve. Without this investment, Zambian ownership will be worthless.

Privatization must also cater to the Zambian public to create economic pluralism within the country, the government argues. The Structural Adjustment Program (SAP), of which privatization is an integral part, should not result in the economy being "owned" by only a minority of wealthy Zambians and foreign investors. Small investors should be given the opportunity to invest in equity capital.

There also should not be any set rules specifying a percentage of Zambian participation in all parastatals. It is not appropriate, according to the government, for one percentage to be applied to each company; nor is it appropriate for each company to be majority-owned by Zambians. Only in a few cases for strategic purposes (railroads, airlines, and the like) will the government specify that foreign majority holdings will not be allowed.

IV. Assessment of the Zambian Privatization Program, in Comparison with Other Nations

Privatization is at an early stage in Zambia. The TCP is a small operation with a handful of managers. The initial privatization effort—the first tranche—will divest small firms, many of whose operations are moribund. While the strategy to develop skills, techniques, and political support as the process grows is a viable strategy, it exposes reform to major risks.

It is thus too early to make an assessment of progress in privatization. While strong donor support is urged, careful and periodic reassessment must be done to determine progress.

The macroeconomy of Zambia defines the privatization effort: a relatively small economy with a small coterie of African businesspeople, undeveloped capital markets, a relatively small population, and rich natural resources. The political ideology of the country since independence has been to turn to the state for aid and to distrust open markets and foreign investment.

At issue is how fast can this macroeconomic model be transformed into a modern, free market, bearing in mind that unlike any other African nation, the Zambian reform program is based upon a democratic political structure and must take into account public needs, labor, Parliament, and interest groups.

Privatization around the world has worked best either under authoritarian governments (Chile, Mexico, Mozambique, and Malawi) or immediately after radical political change (Eastern Europe). Clearly, Zambia fits the second model. But as time passes, the political momentum gained in the 1991 election threatens to stall the privatization process.

This political question has led to a certain hesitancy at the highest levels of government to take quick and decisive action. The result is that, to date, the basic outlines of the privatization process are vague. The government's planning process in such critical areas as credit availability, capital markets, foreign ownership, and redeployment of the work force is not complete. A small group of government managers meets periodically on an ad hoc basis to deal with these very complex issues. They appear overwhelmed at this early stage.

The most successful privatization efforts have been the most dynamic: Fifteen years of hesitant attempts to privatize in Argentina failed until the current Argentine government came to office; within weeks, it began to sell off the largest parastatal firms in the country—the airline, the telephone company, and others. Similarly, in Brazil, Ghana, and Cameroon, hesitant privatization measures have yielded minimal success at best, while in Poland, Hungary, and Czechoslovakia, parastatal divestiture in the wake of radical political change succeeded.

Thus, *time and dynamism are now the two key elements that will determine if the reform program will proceed by September 1992. A scenario could develop in which the process grinds to a halt as political forces struggle to juggle the implications of new foreign* *investment, land laws, trade liberalization, parastatal rationalization, and business expansion. The question of government leadership's capacity to absorb new aid programs is critical. If the programs are not done well, the process will derail.*

Privatization Strategies

Mexico, Argentina, and Eastern Europe. The Zambian privatization process is following strategies pioneered in Mexico, Argentina, and Eastern Europe: a heavy dependence upon foreign consultants, accountants, and lawyers to assess divestiture strategy and determine sales. These larger countries attracted considerable foreign investment as a result of the process. In the Latin American examples, a decade of decline and debt crisis ended and was replaced with dynamic growth. In Mexico, U.S. investors moved to expand their North American markets into the now-decontrolled, free market to the south.

Over the long-term, Zambia could follow this model by integrating its market with southern Africa, thereby gaining capital and markets from regional sources. The obstacles to this are the state, public sector management, and trade-distorting subsidies.

Mozambique. In Mozambique, the private sector is small and centered in two cities. Rather than go through a long and time-consuming privatization effort, the government approached local firms directly and nominated them, without tender, to privatize. In this model, the government retains minority ownership and therefore will profit from the eventual sale of its minority shares.

The other problem facing Mozambique is the risk of wage inflation as competition increases for the relatively few number of skilled managers in an atmosphere of privatization and investment expansion. Management raiding had become a major problem, increasing wages beyond efficient levels. Business avoided this strategy early on by developing a share-ownership and profit-sharing program for its managers, linking their future and prosperity to returns.

Nigeria. Though the Nigerian privatization program yielded success, its applicability to Zambia is limited. Capital markets in Nigeria were relatively strong and a substantial, powerful private sector existed before reform. The authoritarian military government fully supported privatization and ensured that many of its regional allies in the private sector participated in the process.

V. Assessment of the Initial Companies To Be Privatized

The TCP selected 18 companies in the first tranche, 10 of which must be privatized by the end of September 1992 under World Bank SAP conditionality. If the privatization does not take place, a $200 million credit facility will be delayed.

These companies were originally selected for privatization because of their size and the likelihood that they could be sold to Zambian citizens. It was also anticipated that divestiture could be completed with relative ease by the deadline. Of these 18, 10 were announced for sale in 1991, under the Kaunda government, but political factors interfered in the run-up to national elections.

The rationale behind the government's divestiture strategy in the first tranche is based on the following:

- The need for sectoral spread to ensure a balanced divestment
- Financial implications
- Human resource implications
- The need to spread ownership to employees and to the Zambian public
- The need to create competition

Asset valuations were completed for 10 companies as of June 1991. The remaining firms were due to be valuated by the end of March. Nonetheless, the earlier 10 firms must be revaluated because of changing conditions (trade liberalization, decline of customer base in the case where the chief customer was the state, inflation, rationalization, and finance) as well as serious accounting errors and broad differences in valuation standards.

Because of their size, it is envisioned that the first companies will be totally divested. There could be certain companies where the management and the employees negotiate a buyout, and indeed, this is preferred by the government. But before this will happen, adequate credit facilities will have to be developed.

Potential Investors

Following the initial advertising campaign for privatization of the first 10 firms in June 1991 (under the Kaunda administration), various prospective investors showed their interest. In general terms, these were:

- Locally based foreign concerns with nonperforming assets locked into the economy. These companies are mainly interested in debt-equity swaps or an exchange of a small number of shares (equity-equity) to gain majority ownership.
- Foreign companies who were in Zambia before nationalization.

- Foreign companies, chiefly British and South African, who are involved in acquisitions throughout Africa.
- Local investors who lost their investments during the 1986 and other post-1986 nationalizations.
- Local businesspeople who, because of the tight liquidity in the market, lack the capacity to invest without assistance from elsewhere, subsidized credit, terms from the government, or foreign partners.

Socioeconomic Implications

Though larger firms have the capability to either put in place effective redundancy measures or to improve performance to maintain job levels, smaller firms lack the resources. The impact of privatization will be felt especially hard on the first tranche of companies, whose managers are unaware of their options and when effective redundancy measures have not yet been developed by the government.

A review of the first tranche of companies revealed considerable overstaffing at the senior and midmanagement levels. Although some managers have expressed interest in management staff buyouts, there currently is little or no domestic credit available for them to acquire their respective companies.

Company Profiles

Auto Care Ltd

Business Profile: Vehicle repairs, sale of new and secondhand spare parts, driving school, salvaged equipment, reconditioned motor vehicles, and parts. Major branches in Lusaka, Litwe, Ndola, and Kabwe.

Ownership Structure: Auto Care is a wholly owned subsidiary of the Zambia State Insurance Corporation (ZSIC).

Size: The company has 157 employees with a total annual turnover of K57 million for the financial year ending 3/3/91. Total capital employed K37 million.

Viability as a Privatized Company: Auto Care is not considered likely to generate a positive cash flow as a private company without financial and operational restructuring.

Key Factors: Auto Care has one major client—ZSIC—that accounts for more than 70 percent of the turnover. It is a small company with only 157 employees. The future of the company depends on the policy of ZSIC with regards to repairing cars that are covered by insurance.

Form of Privatization: Complete privatization is recommended.

Likely Sales Method: It is recommended that each branch be divested to individual garage owners in their locals through private sales of shares for negotiated bids. ZSIC should sign service contracts with each garage for a 1- to 2-year period to provide time for stability.

Likely type of Investor/Buyer: Existing private garage owners, local management of the present branches, car dealers, and fuel marketing companies that run service stations.

Zambia Ceramics

Industrial Sector: Construction

Business Profile: Zambia Ceramics was incorporated in 1980 and started production in 1985. Based in Kitwe, it is the largest Zambian producer of tableware and the sole producer of tiles and sanitaryware. The only competition comes from foreign sources.

Market share per product: Tableware, 60 percent; sanitaryware, 80 percent, and tiles, 25 percent.

Ownership Structure: Zambia Ceramics is a wholly owned subsidiary of the Industrial Development Corporation (INDECO); the ultimate holding company is the Zambian Industrial and Mining Corporation, Ltd. (ZIMCO).

Size: Zambia Ceramics employs 230 staff with an annual turnover of K66 million for the year ending 3/3/91. The capital employed as of 3/3/91 was K146 million.

Viability as a Privatized Company: The company is considered likely to generate a positive cash flow without financial or operational restructuring.

Key factors:

- The company has shown profits over most years in operation
- It has no major financial obligations
- It has relatively new equipment, and no urgent capital investment is required.
- Raw materials used are mainly of Zambian origin

Form of privatization: Complete privatization is recommended.

Likely sales method: The company should be sold via private sale using competitive bids.

Likely type of investor/buyer: Most likely buyers are local entrepreneurs and existing Zambian companies.

National Drum and Can Company, Ltd. (NDCC)

Industrial sector: Packaging.

Business profile: NDCC is the biggest manufacture of steel drums in Zambia. It produces a variety of drums and metal cans. The present capacity exceeds the Zambian demand. Exports are minimal. The company was incorporated in 1985 and is located in Ndola.

Ownership structure: NDCC is a wholly owned subsidiary of INDECO, Ltd. The share capital is K11.5 million.

Size: NDCC employs 130 people with a turnover of K78 million in 1990-91. The capital employed as of 3/3/91 was K25 million.

Viability as a privatized firm: NDCC is not considered likely to generate a positive cash flow without financial or operational restructuring.

Key factors:

- NDCC's past financial performance was generally good but with high fluctuations. Profit margins have varied from 6 percent to 23 percent in the last 4 years, and return of capital has also varied from 11 percent to 88 percent. This points to an unstable business situation. Sales for 1990-91 were also very poor.
- NDCC reports a market share of 40 percent for its products, but it faces one larger competitor, Crown Coal, which has 55 percent market share.
- The demand on NDCC's cans are diminishing as major customers are turning to cheaper plastic containers. The continuous fall in demand for petroleum products and lubricants also affects demand for their products.
- The company is expecting stiffer competition from important products because of the liberalization of import policy.
- Because NDCC was incorporated in 1985, all the plant and equipment is quite new; the firm faces only minor production problems.
- NDCC faces problems in attracting technicians and engineers because of low salaries.

Form of privatization: Complete privatization is recommended.

Likely sales method: Although NDCC is presently in a difficult market situation, it could find a buyer through a competitive bid sale even before financial restructuring.

Likely type of investor/buyer: Either existing customers (paint companies), local competitors (Crown Cork), or management and employees.

Norgroup Plastics, Ltd.

Industrial sector: Packaging.

Business profile: Norgroup was incorporated in 1968 as a manufacturer of beer crates for Zambian business. Today, the company is capable of manufacturing a wider range of products, such as crates, jerrycans, bottles, washing bowls, and buckets. The company is located in Ndola.

Ownership structure: Norgroup Plastics is a wholly owned subsidiary of INDECO. The share capital is K3.5 million.

Size: Norgroup Plastics currently employs 102 employees who managed a turnover of K45 million for the financial year 1990-91. The capital employed as of 3/3/91 was K26 million.

Viability as a privatized firm: Norgroup Plastics is not likely to generate a positive cash flow without financial or operational restructuring.

Key factors:

- Past performance has been fair, but performance is steadily decreasing. The profit margin has declined from 9 percent in financial year 1988-89 to only 0.5 percent in 1990-91.
- This poor performance is due to continuous breakdown in machinery, a lack of spare parts, and inadequate maintenance. Present capacity utilization has been below 50 percent. The company is undergoing rehabilitation through the aid of a K34 million loan from Japanese aid. (The company's indebtedness in terms of the loan is allocated through the government of Zambia).
- The company lacks technicians, engineers, and skilled labor.
- It is highly dependent on the importation of raw materials and suffers from a lack of Forex.
- There are two main customers who account for 93 percent of the market shares: Zambia Breweries and ROP (ex-Lever Brothers).

Form of privatization: It is recommended that the company be wholly privatized.

Likely sales method: Negotiated sale. The company has to maintain a close relationship with its two main customers, Zambia Breweries and ROP. It requires foreign technological and managerial expertise. The privatization should be postponed to coincide with the sale of ROP and Zambia Breweries and be offered as part of the package.

Likely type of investor/buyer: ROP, Zambia Breweries, Dairy Produce Board, Athol Plastics Ltd.

General Pharmaceuticals

Industrial sector: Che.nicals.

Business profile: The principal activity is the manufacture of intravenous fluids and oral rehydration salts. It is also engaged in the wholesaling of pharmaceuticals and veterinary products. The company is situated in Kabwe.

Ownership structure: General Pharmaceuticals is a wholly owned subsidiary of INDECO.

Size: The company employs 97 people, who managed a turnover of K55 million for financial year 1990-91. The capital employed as of 3/3/91 was K27 million.

Viability as a privatized firm: The company has the potential to generate a positive cash flow without financial or operational restructuring.

Key factors:

- The company has shown good return on capital employed.
- It has no major financial obligations.
- It is a strong player in an increasing market.
- It has the potential to export.
- It could benefit from financial restructuring in order to provide capital for investments in new machinery.

Form of privatization: Complete privatization.

Likely sales method: Private sale using either negotiated sale or competitive bids.

Likely type of investor/buyer: Local entrepreneurs and existing Zambian companies, foreign investors (CAPS Ltd.), existing customers (Medical Stores, Ltd.), or existing competitors (Gamma Pharmaceuticals).

Monarch Zambia Ltd.

Industrial sector: Engineering.

Business profile: Monarch Zambia manufactures window frames, (steel) doors, door frames, and fly screens.

Ownership structure: Monarch Zambia is a wholly owned subsidiary of INDECO.

Size: For financial year 1990-91, no audited account is available. The company did forecast a staff of 302 workers and a turnover of K707 million. The capital employed as of 3/3/91 was forecasted to be K158 million.

Viability as a privatized firm: Monarch is considered likely to generate a positive cash flow without financial or operational restructuring. It should be noted that this judgment is based on information given in the ZIMCO corporate budget for 1991-92 and the financial statement of Monarch Zambia dated 3/31/90.

Key factors:

- Monarch appears to be a profitable company. It earned a profit in financial year 1990 as well as 1989, at profit margins of 29 percent and 13 percent, respectively. The forecast for 1990-91 and the budget for 1991-92 expect continued profit earnings.
- The company carries a small, long-term debt.
- The company requires but does not earn Forex for spare parts.

Form of privatization: Complete privatization is recommended.

Likely sales method: Competitive bids.

Likely type of investor/buyer: Local entrepreneurs, local competitors, or foreign companies or suppliers.

Zambia Concrete, Ltd.

Industrial sector: Construction.

Business profile: Zambia Concrete was established in 1979 and currently manufactures prestressed railway concrete sleepers, bridge beams, fencing poles, slabs, and building blocks. Their main client is Zambia Railways, representing 85 percent of total turnover; ZCCM accounts for the remaining 15 percent.

Ownership structure: The company is a wholly owned subsidiary of Zambia Railways Ltd, which is a 100-percent subsidiary of ZIMCO.

Size: Zambia Concrete currently employs 230 staff, who realized a turnover of K85 million for the financial year 1991. The capital employed as of 3/3/91 was K40 million.

Viability as a privatized company: The company should be able to generate a positive cash flow without financial or operational restructuring.

Key factors:

- The company has shown good returns on capital employed over the past years.
- It has no major financial obligations.
- It does not lack working capital.
- The market for concrete sleepers is high, and the demand for other concrete products is on the rise.

Form of privatization: Complete privatization is recommended.

Likely sales method: Negotiated sale or competitive bid.

Likely type of investor/buyer: Existing Zambian companies, foreign-based companies, and construction companies, or a management-staff buyout.

Remaining Companies to be Privatized

Of the remaining companies in tranche one, no current information is available. They are:

AFE - African Farm Equipment (agriculture)
Consolidated Tyre Service (auto parts)
Crushed Stone Sales (construction)
Eagle Travel (tourism)
Zambia Clay Industries (construction)
Zambesi Saw Mills (wood)
Nkwasi Manufacturing (fish nets)
Poultry Processing (agriculture)
Mwinilinga Canneries (packaging)
Lublend Ltd
Zambia Maltings

See Table 1 for the proposed divestiture sequence plan.

Table 1. Proposed Divestiture Sequence Plan

1992 Tranche 1 (18 companies)	
AFE - African Farm Equipment Auto Care Ltd. Consolidated Tyre Service Crushed Stone Sales Eagle Travel General Pharmaceuticals Lublend Limited Monarch Zambia Ltd. Mwinilinga Canneries	National Drum and Can Company Ltd. Nkwasi Manufacturing Norgroup Plastics, Ltd. Poultry Processing Company Ltd. Prime Marble Products Zambesi Saw Mills Zambia Ceramics Zambia Concrete Ltd. Zambia Maltings
1992-93 Tranche 2 (16 companies)	
Agriculture Antelope Milling Chimanga Changa Milling Kabwe Milling Jamas Milling Olympic Milling National Milling Company Ltd. Mpongwe Development Company Ltd. Supa Banking Company Ltd. Zambia Breweries Ltd. The Zambia Sugar Company Ltd. Zambia Agriculture Development Ltd.	**Construction** Chilanga Cement Ltd. Zambia Engineering and Contracting Company Ltd. **Finance** Zambia National Commercial Bank Ltd. (ZNCB) **Trading** Zambia National Wholesale and Marketing Company Ltd. National Home Stores Ltd.
1992-93 Tranche 3 (15 companies)	
Agriculture/Agro-Industry National Breweries Ltd. ROP Ltd. Amalgamated Milling Co. Ltd. INDECO Milling Ltd. United Milling Ltd. Nanga Farms Ltd. Lint Company of Zambia Ltd. National Tobacco Co. Ltd. MEMACO Farms NIEC Farms Ltd.	**Manufacturing** Kafue Textiles **Tourism** Zambia Hotel Properties Ltd. Africa Bound Ltd. **Trading** Mwaiseni Stores Ltd. **Transport** Mpulungu Harbour Corporation Ltd.

Table 1. Proposed Divestiture Sequence Plan	
Negative List	
Indeni Petroleum Refinery Company	Zambia Electricity Supply Corporation
Tazama Pipelines	Zambia Railways
Zimoil Division	National Airports Corporation
Posts and Telecommunications Corporation	

VI. Recommended Technical Requirements for Privatization

Lacking substantial qualified staff, the TCP requires large and coordinated assistance from the donor community. The World Bank announced informally that it planned to begin coordination efforts for privatization at the end of April 1992. However, the Bank's own responsibilities are large and it may not be able to effectively carry out such a function.

The Ministry of Commerce, the TCP, and parastatal organizations are in conversations with many multilateral and bilateral donors. In the aftermath of the March 1992 consultative group meeting, donors appear enthusiastic to help, and large commitments have already been or will soon be made.

Generally speaking, technical assistance is required for the following tasks:

- *Training:* Development of privatization skills by in-country training of the TCP Zambian staff on issuing and evaluation of tenders, debt-equity and equity-equity strategies, company packaging, and so forth.
- *Partial financing of TCP staff:* Provision of local funds to assist the TCP effort.
- *Company studies and asset valuation:* Provision of financing for outside auditing.
- *Company packaging:* Developing offering packages and coordinating privatization activities.
- *Valuation expert:* Supervising evaluators to ensure consistency in valuation techniques and strategies, performing valuations to determine quality, and contracting out valuation studies.
- *Business strategy:* Assessing candidate firms for the best manner to divest the holding, be it through sale of the entire entity, partial divestiture, or partial rationalization and sale.
- *General coordination in the TCP:* Project management, ensuring maintenance of timetables, problem-solving, and donor relations.
- *Investor relations in the TCP:* Communicating with potential bidders, assisting in the development of tenders, and communicating bidder needs to the TCP.
- *Public relations in Zambia:* Publicizing the benefits and yields of privatization.
- *Investment promotion:* Developing new investors outside of Zambia (although this function is not likely to be carried out in the TCP).

Critical Areas of Assistance

Other assistance will be required to fund social plans, capital market studies, and rationalization schemes for remaining public companies outside the purview of the TCP. Training of new firms' management will be essential.

Two key areas must be addressed early on, outside the TCP, to ensure privatization success: credit facilities and an effective employment redeployment program. In both of these areas, specific needs are likely to be lost within the general category of the programs under which these responsibilities fall. For example, credit facilities are being considered under the general need for a stock market, venture capital funds, and land trusts. Job change requirements are being studied through the Social Action program (SAP), which considers everything from rural problems, microprojects, water, sanitation, health, and education to general unemployment.

With weak, undeveloped credit markets, small and medium-sized Zambian businesses are not likely to participate in privatization. The risk is that the benefits of privatization will go to foreign business, the Asian community, and a small group of large Zambian companies. Some bilateral donors are sponsoring studies of mutual funds and venture capital markets, but, hereto, control will rest with these same entities.

Within the public sector, a substantial fear of redundancy exists among senior management. In Zambian terms, redundancy means loss of salary as well as house, car, and insurance benefits that the position provides. Political and bureaucratic obstruction could derail the privatization process or render it inefficient.

Credit facilities for current parastatal management should be carefully developed to ensure improved productive efficiency, management risk and participation in company earnings, and management's political support for the privatization process.

The issue of job redeployment has become muddled by overly generous redundancy programs rather than skills retraining. One suggestion urges 3 years' pay and retention of benefits to public sector employees. However, this will remove incentive for retraining and readjustment to the market economy.

VII. Donors' Plans for Assistance

Government economic policy and negotiations with the World Bank and the IMF have only begun to yield a policy framework that international assistance can support. The Donors' Consultative Group meeting of donor nations ratified the outline of that support in March 1992. Therefore, multilateral and bilateral donors are just now beginning to negotiate with Zambian authorities on assistance policies and programs. A World Bank team concluded its assessment in early April; the World Bank resident representative will be forming a Consultative Committee on Privatization for Donor Nations to coordinate assistance in late April or early May 1992. For the moment, however, all communication between the donors is informal.

Interviews with the major international agencies and a review of negotiations within the Zambian Technical Committee on Privatization (TCP) of the Ministry of Commerce and Industry reveals the general outlines of forthcoming international assistance. The list presented below, however, is subject to the following issues:

- The regulatory situation is in flux; some aid requirements will expand and others will contract because of changing policy conditions.
- This summation is based upon interviews rather than documentation. While the data have been confirmed, some omissions are likely because of aid agencies' confidentiality.
- There is an inherent conflict between the donors' pace and schedule for approving project-related technical assistance and the tight schedule the World Bank has imposed on GRZ to privatize firms. As a result, there is a general pattern of duplication of assistance requests from the Zambian government to different aid agencies. Many aid missions are not sure of their programs. Though the TCP has attempted to avoid duplicate requests, when a commitment has been made, there has been some confusion.

The Schema of International Assistance

1. The **Ministry of Finance** has budgeted 50 million kwacha in support of privatization efforts. The funds are used to support staff for the TCP and some company and valuation studies. The TCP must finance all its expenses out of this fund, including overhead, equipment, startup costs, and salaries.

2. The **World Bank** will provide some support for company and valuation studies and will finance a study of the legal and economic framework in Zambia and requirements for change to support all private sector development activities, including privatization. The study will analyze the Companies Act, Banking Law, Stock Exchange Act, Land law, Competition Law, Investment Act, and Labour Law.

   The Bank has $10 million programmed in support of private sector development, including privatization, when Zambia fulfills conditions of the first tranche (expected in September 1992). Some of these funds will be used for valuation and company studies.

3. The **Overseas Development Agency** (ODA) is providing the TCP with one full-time technical assistant to coordinate activities in the office. That assistance is likely to continue for the foreseeable future; the TCP is requesting another full-time technical assistant, but the ODA lacks resources.

   In addition, the ODA will work to develop a study of the Zambian stock market to permit trading in shares of companies to be floated.

   The ODA also is supporting a mining technical assistance project.

4. The **United Nations Development Project** (UNDP) has a large project document for an investment center and has been approached for a study to review the legal and economic framework to identify those areas that will impede the privatization program and propose necessary changes. A UNDP team is visiting Zambia in April to assess its participation.

   The UNDP has been approached for a publicity and marketing campaign, both internationally and locally. The effort would support investment promotion, marketing of selected parastatals, and related topics.

5. The **Irish** aid office is interested in developing the investment center and also is offering assistance for trade policy assistance. A project team is arriving in Lusaka in the third week of April.

6. **Denmark** has performed studies on insurance, pension, trust funds, sequence planning, and social impact but the relevance of these works is now limited because of changing events.

7. **Sweden** has been approached for assistance in business studies.

8. The **European Commission** is likely to finance studies on social and labor issues arising from privatization and private sector reform. This study is financed through the government's Social Action Plan Agency.

9. **CIDA** has expressed interest in assisting the donor effort but no details are available as of now.

10. **NORAD** will provide assistance to develop the credit system through commercial bank management with the Central Bank. NORAD had received a commitment to assist the Registrar of Companies, Patents and Trademarks exclusively, but two other project documents drawn up by UNDP show this differently. The Ministry of Commerce believes the Danish are going to participate, but the Danish will not participate.

NORAD was approached to fund reform of the Bureau of Standards but the Ministry of Commerce has no money in the budget to run and maintain the organization, and thus the project was aborted.

NORAD has been approached to assist with a study on the issue of Zambian participation in the privatization program. The study requests assistance in setting up the institutional arrangements to assist Zambian participation. This includes:

- Privatization trust funds to hold shares on behalf of the government pending their sale to Zambian institutional investors and individuals

- Mutual funds to assist small investors to purchase small units of shares

NORAD has been requested to fund company studies for the following companies, although there is some indication that it will only fund the sawmill companies: The Zambezi Sugar Company; Zambezi Sawfills; Zambia Forestry and Forest Industries (ZAFFICO); National Import and Export Corporation (NIEC), both wholesale and retail outlets; Chilanga Cement; Lint Company of Zambia; and the National Tobacco Company.

11. **Deutsche Gesellschaft fur Technische Zusammenarbeit Gmb** (GTZ) has provided GRZ with 50 million kwacha ($350,000) for 1992 assistance in privatization, most of which will be used for valuation. DBZ has also been approached for funding by the Small Industries Development Organization (SIDO).

Other projects that require funding are the Business Cooperation Council, the Stock Exchange (Ministry of Finance), venture capital facilities, and evaluation of privatization companies (some of which will be paid for by other aid agencies).

The German group has been requested to fund the preparation of company and valuation studies for the following companies (they have already agreed to support the effort in the milling sector): ZADL, ZECCO, Kafue Textiles, Zambia Breweries, National Breweries, ROP, Premium Oil, Amalgamated Milling, INDECO Milling, National Milling, Olympic Milling, Jamas Milling, Chimanca Changa Milling, Antelope Milling, United Milling, and Kabwe Milling.

VIII. Recommended USAID Assistance for the Privatization Effort

USAID currently has committed to fund the following:

- Short-term technical expertise in the form of a project director in the Technical Committee for Privatization (TCP).
- Technical expertise to the TCP in publicity and public relations to develop resources for explaining the program within Zambia.

USAID is seriously considering other programs, including short-term expertise in valuation and company studies from IESC as well as in-country training in valuation techniques.

The following represents recommendations for future, short-term, and long-term assistance to the TCP.

Short-Term Assistance

Company Studies and Valuation Studies. Support is required to develop both company and asset valuation studies for most of the firms to be privatized. GTZ and NORAD have committed to perform some studies, but many others need to be done. Typical examples of firms that will require studies in tranches 2 and 3 are the National Import and Export Corporation (wholesale and retail outlets), Chilanga Cement, Lint Company of Zambia, and the National Tobacco Company.

Public Flotation. The government is currently seeking support to assess the potential for the public flotation of a large Zambian parastatal firm. A short-term expert is required for 1 year to prepare this first public flotation, design the methodology for future flotations, and assist in training Zambian professionals. The candidate should have an understanding of developing countries and experience in designing strategies and techniques for public flotations in countries where potential shareholders are unsophisticated. The candidate must have an ability to be creative and innovate in a rapidly evolving economy.

Sectoral Studies. Studies are required to define the impact of privatization on certain sectors of the economy. The sector analysis should include a review of those companies operating in that sector.

Finance

This sector is considered critical because of the immediate need to develop capital markets.

The Development Bank of Zambia	Zambia National Building Society
National Savings and Credit Bank	Export and Import Bank of Zambia
Zambian National Commercial Bank (ZNCB)	Lima Bank
Indo Zambia Bank	

Insurance

Zambia National Insurance Brokers
Zambia State Insurance Corporation

Property Management Survey. Current land legislation severely restricts any transfer of property. Bureaucratic approval for real estate sales frequently takes from 2 to 3 years and is often used to obstruct new businesses. To circumvent the problem, the government is moving to merge all of its real estate holdings into a Zambian Property Management Company and license its use to the purchasers of parastatal firms on a long-term basis.

The TCP requires a study on property management and the techniques required to establish a property management company. The specific Zambian legal environment requires a team with considerable experience in public sector land issues and strategies for divestment.

Training. The TCP requires assistance to develop human resources in its divestiture effort. Short-term training in the methods and strategies of privatization are required for periods of 4 to 6 weeks. In addition, the TCP requires some assistance in providing general information to parastatal officials on management buyouts.

Long-Term Assistance

The TCP requires substantial, long-term help in support of its privatization program. The government is committed to divestiture of all non-essential parastatal firms and reform of the remaining public sector utilities. Over the next 3 years, the privatization program seeks to sell some 50 firms, some of which are companies whose structures will be rationalized into separate entities. Long-term assistance is required to provide technical support and guidance to Zambian managers in the fulfillment of this program. The program requires the following assistance:

Financial Analyst. A financial analyst is needed to assist in financial restructuring of state-owned enterprises (SOE's) and in making recommendations on appropriate financial arrangements and strategies for the sale of SOE's, such as debt-equity swaps, equity-equity swaps, dilution of GRZ shareholding by new investment, and flotation. An understanding of standard debt-forgiveness programs in privatization is required.

The candidate will have extensive experience in all aspects of privatization programs in developing countries. He or she will hold a graduate degree in either finance or accounting and will have served either as a merchant banker or long-term consultant on privatization or rationalization. The candidate should have a good understanding of international capital markets, financial instruments, and emerging trends in privatization financing.

The level of effort will be for 1 year.

Business Analyst. A manager experienced in business issues is required to manage the collection and analysis of information for the companies to be privatized. The candidate will be required to work closely with a large team of Zambian professionals to direct and monitor their work. The candidate will have an understanding of issues related to planning and corporate finance.

The candidate should hold a postgraduate degree in finance, accountancy, or business and should have some understanding of the issues related to public sector reform or rationalization. Because these companies come from a diverse industrial and service sector, a broad-based background in planning would be preferable.

This position will be for 2 years.

Valuations and Pricing Specialist. An expert is required to perform and arrange company and asset valuations as well as to oversee the consistency of valuation methods. Because outside valuations will be required to obtain a certificate of valuation, this expert will assign, supervise, and review all valuation tenders and subsequent reports. This specialist will ensure that valuers are provided with all information required to undertake the valuation. In some cases, this professional will conduct valuations with the assistance of Zambian professionals.

The suitable candidate will have a graduate degree in accountancy or finance and extensive experience working in the public sector and in privatization and rationalization.

This position will be for 2 years.

Investment Relations Officer. An expert is required to facilitate communications with potential investors, to meet investors' needs, and to ensure communication with the privatization agency during the process. The officer would guide potential investors through the application and bidding process and would provide recommendations to the Privatization Agency as to required inputs to ensure successful bids, in terms of rationalization as well as improvements to the process.

The candidate will have a degree in business and economics; extensive experience in either corporate relations, business development, or merchant banking; and substantial experience working in Africa. In addition to English, the candidate should be fluent in either French or German.

The term of this expert would be 2 years.

Negotiation Expert. An expert is required to develop the negotiation strategy in the finalization of privatization projects in sales to local Zambians and foreign investors. The official will develop techniques, contracts, and strategies with the assistance of Zambian government officials and lawyers. Because privatization deals are likely to be accomplished with small, domestic businesspeople as well as large multinational firms, flexibility is required. The position requires specific expertise in negotiation strategy and a legal background. Negotiation experience in developing countries is a must.

The term of this expert is 2 years.

Public Education Specialist. There is a need for an expert in public education to direct an effort to inform domestic audiences of the privatization process. The specialist will develop a domestic publicity campaign, identifying target groups such as the Parliament, parastatal management and employees, the rural community, the private sector business community, the public sector business community, the Zambian public donor community, and the academic community.

The appropriate candidate will have worked in the private sector developing publicity and other public campaigns. The expert will have an excellent understanding of business issues and an ability to translate them to the public. A business journalist would also be considered. He or she will identify and categorize the target groups, design an information campaign, and develop resource needs and other activities.

The term of this expert is 1 year. In addition, complementary financing will be required to support the publicity effort.

International Promotion. There is a need for an expert in investment promotion to develop an international publicity and marketing campaign for the sale of parastatal companies. The expert will have long-term experience developing investment promotion programs for governments and knowledge of privatization efforts. He or she will have extensive journalism and business contacts in Europe, America, and Asia and will have proven success in directing investment missions, writing publicity, and developing markets for campaigns. He or she will have exhibited success in earlier efforts.

The term of this expert is initially 1 year. In addition, complementary financing will be required to support the investment promotion effort.

IX. The Enabling Environment: Possible Future USAID Efforts in Private Sector Development

As the Structural Adjustment Program takes hold, there will be a strong need for a major effort to develop private sector activities. The guidelines of World Bank programs suggest that, over the next 5 years, the Zambian economy will grow moderately under free market conditions. The natural wealth of the nation—agriculture, tourism, and mining—should yield substantial growth. Beyond this, services that heretofore were provided by government and its parastatal entities (transportation, housing, communication, and media) will soon operate under free market conditions.

Zambia has a strong basis for private activity. In every town and village in the nation there is evidence of entrepreneurship—in the formal economy around the copper belt; in the privately owned bars, restaurants, taxis, and minibuses; and in the informal economy. Even within the parastatal companies, there is a coterie of managers eager to exploit private sector activity. The end to statist policies will release initiatives, particularly in rural sectors where price controls on food and restrictive land regulations have limited productivity.

Clearly, the need to assist in development of the enabling environment is strong. Most major donor organizations are actively organizing their efforts to assist. The World Bank's Structural Adjustment Policy is guiding Zambia's efforts in developing a market economy in the general areas of investment and trade, monetary and credit policy, and currency issues.

The broad areas where USAID could provide support are legislation, regulation, continuity in law and regulation, capital markets, sector-related issues, enhancing the private sector, and the social impact of structural adjustment.

Legislation

The government recognizes the need to make sweeping changes in legal regulations and control before private enterprise can expand dynamically. The World Bank is providing some assistance in the drafting of legislation, but additional donor aid also is needed in the following areas:

Privatization law and regulations
Trade Licensing Act
The Competition Law
The Companies Act
Land law reform
Contract law and bankruptcy law
Mining law
Taxation Act
The Land Law
The Rent Act
The Landlord and Tenant Premises Act
Licensing and franchising legislation

Regulation

The government has moved gradually over the past 2 years to implement changes in its regulatory environment. These changes have shown only minor success because of formal and informal barriers as well as macroeconomic distortions. Assistance is required in the following areas:

Foreign Investment Regulation. New investment is only beginning to develop in Zambia, and only in special areas that are receiving attention from the highest levels of government. Formal and informal barriers to new investment for private investment must be identified. The strengths and weaknesses of foreign investment legislation should be identified (see appendix), and the technical requirements of the new Investment Center, the "one-stop" shop, should be assessed.

Trade Policy. As Zambia attempts to liberalize its economy, formal and informal barriers to exports must be assessed. There is a need for technical assistance to develop export processing zones aimed at regional markets trade promotion. Regional Integration in SADDC.

Credit Policy. Tight credit and tight regulation of private financial institutions limit growth. Financing is available only from informal credit institutions (such as families), private foreign sources, and international assistance.

Currency and Foreign Exchange Issues. Though legislation allows for generous remittance of dividends and access to capital, the Bank of Zambia lacks sufficient hard currency to fulfill all of its commitments, restraining trade and investment. Commitments are looked upon as false since they are not able to be fulfilled.

Informal Barriers. Red tape has been the largest disincentive to productivity in Zambia. Tax certificate requirements for most every aspect of business have delayed domestic transactions and de facto restricted exports because of long delays. Foreign investors could not lease land because of 2- to 3-year delays in the process. Large levels of corruption developed from the licensing and taxation requirements. An assessment of the current environment, after the changes in the legal structure, is required.

Continuity in Law and Regulation

Investor confidence has been seriously hurt because of radical changes in the legal and regulatory environment. Periodic land and business nationalizations limit the participation of mid-sized companies because they lack any defense. As late as 1989, government regulators seized Asian shops, which led to their large exodus from the country. Rapid changes in tax and licensing law have also hurt.

Capital Markets

In the new liberal environment, Zambia is in the midst of a general reform of its credit institutions. The government is assessing a broad variety of programs; such as the establishment of a new Stock Market, reform of pension and insurance funds, development of venture capital and mutual funds, promotion of building society funds, and liberalization of bank regulation. An assessment of the Zambian capital market is required.

Sector-Related Issues

Agriculture. The potential for future, large-scale private sector growth is in this sector. There is some new investment developing in agriculture, but this is by large firms with longstanding positions in Zambia. New players have yet to come forth. An analysis of formal and informal barriers to agricultural investment by mid-sized foreign firms is required. Credit requirements should be studied. The marketing and distribution of maize and fertilizer are also important. In addition, a study of infrastructure requirements (roads, vehicles, warehousing, and agroprocessing) for large-scale agriculture is needed.

Mining. This sector has been a mainstay of the economy, and the potential for growth is large both in the copper and gemstone area. Business activity is present in gold, diamonds, marble, and rare minerals. New private investment can expand, given a fair enabling environment. An analysis of limits to investment in mining is required.

Tourism. Over the long term, Zambia has strong potential for tourism. As regional integration takes place, there will be increased southern Africa transnational movements to Zambian tourist areas. New infrastructure and facilities are required. Zambia's competitive advantage in wildlife requires improvement. An analysis of the tourism potential is required.

Enhancing the Private Sector

With liberalization, there will be a growing need to develop skills and strengthen institutions.

Training. As the Zambian economy improves, the demand for skilled labor will increase. There is a very large need for training, especially in the Zambian (non-Asian) community. Currently, most skilled professions and many business occupations are carried out by expatriates. The list of training needs runs the scope of business: accountancy, bookkeeping, finance and merchant banking, principles of marketing and sales, accessing credit, trade requirements, negotiating, and so forth.

Institutional Development. An analysis of the requirements of Zambia's private sector trade and professional organizations is required. Among these organizations are the following:

ZCI	The Zambian Confederation of Industries
ZAM	The Zambian Association of Manufactures
ZICA	The Zambian Institute of Charter Accountants
ZACCI	The Zambian Association of Chambers of Commerce and Industry
KCC	The Kitwe Chamber of Commerce

Promoting Microenterprises and Entrepreneurship. A large effort is required to expand the knowledge and advantages of the free market economy to new entrepreneurs and microenterprises as well as to understand the legal barriers to small business. This is required for both urban and rural areas. A study of the requirements of current small-scale organizations is required. Among these are:

SSIAZ Small Scale Industries Association of Zambia
WEIBZ Women Entrepreneurs in Industry and Business in Zambia
VIS Village Industries Services
SIDO Small Industries Development Organization

Related Government Agencies. An analysis of regulatory and legal agencies that deal directly with domestic business, outside the investment and trade areas, is required to improve efficiency and streamline bureaucratic approvals.

Social Impact of Structural Adjustment

Liberalization of the Zambian economy will lead to major dislocations, including large-scale redundancies and shifts in population from urban to rural areas. An analysis of the impact of the Structural Adjustment Program is required to ensure social harmony. Development of institutional capability with organizations such as the Zambian Confederation of Trade Unions (ZCTU) should also be considered.

Acronyms

GRZ	Government of Zambia
GTZ	Deutsche Gesellschaft fur Technische Zusammenarbeit GmbH
INDECO	Industrial Development Corporation
KCC	Kitwe Chamber of Commerce
MMD	Movement for Multiparty Democracy
NIEC	National Import and Export Corporation
SAP	Social Action Plan
SIDO	Small Industries Development Organization
SOE	State Owned Enterprise
SSIAZ	Small Scale Industries Association of Zambia
TCP	Technical Committee on Privatization
UNIP	United National Independence Party
VIS	Village Industries Services
WEIBZ	Women Entrepreneurs in Industry and Business in Zambia
ZACCI	Zambian Association of Chambers of Commerce and Industry
ZAFFICO	Zambia Forestry and Forest Industries
ZAM	Zambian Association of Manufacturers
ZCCM	Zambian Consolidated Copper Mines
ZCI	The Zambian Confederation of Industries
ZCTU	Zambian Confederation of Trade Unions
ZICA	Zambia Institute of Charter Accountants
ZIMCO	Zambia Industrial and Mining Corporation Ltd.
ZNCB	Zambian National Commercial Bank

Appendices

A. Provisional Privatisation Bill (Layman's Version)

B. Investment Act No. 19 of 1991

C. Organisation Chart for Privatisation Unit

APPENDIX A

Provisional Privatisation Bill (Layman's Version)

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PROPOSED

THE PRIVATISATION BILL

ARRANGEMENT OF SECTIONS

PART I

PRELIMINARY

SECTION

1. Short Title
2. Interpretation

PART II

ZAMBIA PRIVATISATION AGENCY

3. Establishment of the Zambia Privatisation Agency.
4. Establishment of the Privatisation Board.
5. Functions and composition of the Board.
6. Tenure and Vacancy of the Board.
7. Seal of the Board.
8. Remuneration and allowances.
9. Proceedings of the Board.
10. Subcommittee.
11. Disclosure of interest.
12. Immunity.
13. Chairman, Technical Committee.
14. Secretary and other staff.
15. Prohibition of publication.
16. Oath of Secrecy.

PART III

PRIVATISATION AND COMMERCIALISATION OF STATE OWNED ENTERPRISES

17. Privatisation of enterprises.

18. Some enterprises to be exempt and golden share.

19. Power to make regulations.

20. Offer for sale of shares and modes of privatisation.

21. Eligible buyers.

22. Zambian participation.

23. Absorptive capacity.

24. Debt/equity swaps.

25. Incorporation of enterprises to be privatised.

26. Commercialisation of enterprises.

27. Powers of commercialised enterprises.

28. Privatisation of commercialised enterprises.

29. Proceeds of sales and usage.

PART IV

FINANCIAL AND OTHER PROVISIONS

30. Funds

31. Financial year.

32. Accounts.

33. Annual report.

34. Special report.

35. Obligations of enterprises.

36. Sale of shares to members.

37. Arbitration.

38. Annual Budget.

(2) The report referred to in subjection (1) shall include information on the financial affairs of the Board and there shall be appended to the report.

(a) An audited balance sheet;

(b) An audited statement of income and expenditure; and

(c) Such other information as the Government may required.

(3) The Government shall, not later than seven (7) days after the first sitting of National Assembly next after receipt of the report referred to in subsection (1) lay it before the National Assembly.

SPECIAL REPORT

34. The Board shall submit a report on its activities to the Government every six months.

OBLIGATIONS OR ENTER-PRISES

35(1)To facilitate the efficient and speedy processing of the privatisation under this Act, every state enterprise which has been earmarked for privatisation and informed accordingly in writing shall:

(a) Cause to be kept up to date all business records including books of account.

(b) Prepare a 2-3 year investment and financing plan together with a manpower deployment plan.

(c) Prepare statutory accounts and cause them to be audited not later than four months after the financial year.

(d) Maintain a fixed asset register reconciled to the financial statement.

"PRESIDENT" Means the President of the Republic of Zambia.

"PRIVATISATION" Means the transferring of part or all the equity and other interest held by the Government directly or indirectly in enterprises wholly or partly owned by the Government to the private sector; and privatise shall be construed accordingly.

"PROPERTY" Includes all property movable or immovable, and all estates, interests easements, and rights, whether legal or equitable into or out of property choses-in-action money and good will.

"STATE OWNED ENTERPRISES" Means any corporation board, company, parastatal establishment in which the Government has direct or indirect ownership equity or interest and shall include partnerships joint ventures, any other form of business arrangement or organisation or any Government department with potential to operate as commercial ventures without Government subventions.

"BOARD" Means the Board on Privatisation established by section 4.

"TECHNICAL COMMITTEE" Means the Technical Committee on Privatisation established by section 14

PART II

ZAMBIA PRIVATISATION AGENCY

3. There is hereby established the Zambia Privatisation Agency for the control, Management and implementation of the Privatisation of state owned enterprises in Zambia. ESTABLISHMENT OF ZAMBIA PRIVATISATION AGENCY

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4. There is hereby established the Privatisation Board for the Agency which shall be a body corporate with perpetual succession and common seal, capable of suing and being sued in its corporate name, and with power subject to the provisions of this Act, to do all such acts and things as a body corporate may by law do or perform.

ESTABLISHMENT OF THE PRIVATISATION BOARD

5(1) Subject to the provisions of this Act the Board shall be responsible for the the discharge of the functions and business of the Agency and shall be charged with the general control of the superintendence of the property and policy of the Agency in such manner as appears to the Board to be in the best interest of the Agency.

FUNCTIONS AND COMPOSITIONOF THE PRIVATISATION BOARD

(2) NOT withstanding the generality of subsection (1) the functions of the Board shall be to:

(a) Recommend Privatisation policy guidelines to Cabinet and Parliament.

(b) Oversee all aspects in the implementation of the Privatisation Programme in Zambia within the context of the policy guidelines issued by the Government.

(c) Provide guidance to the Technical Committee to ensure that its work is carried out within the context of national policy and their terms of reference.

(d) Approve all recommendations made by the Technical Committee related to all issues involved in privatising any company including methods of sale, potential buyers, sale prices, etc.

(e) To submit to Cabinet from time to time all proved recommendations for ratification to effect sales.

(f) To advise Cabinet on the best policy to adopt in the course of implementing the Privatisation Programme.

(g) To ensure that the Privatisation Programme is effectively implemented through close monitoring of the Technical Committee.

(h) To consider any other issues related to Privatisation in Zambia.

(3) The Board shall consist of:

(a) The Minister of Commerce, Trade and Industry/who shall be the Chairman.

(b) The Deputy Minister of Commerce, Trade and Industry who shall be the Deputy Chairman.

(c) The Minister, of Finance.

(d) A representative of the Attorney General.

(e) The Director General and the Financial Director of the Zambia Industrial and Mining Corporation Limited.

(f) The Managing Director of the Industrial Development Corporation Limited.

(g) The Governor, Bank of Zambia.

(h) The Executive Secretary of the Zambia Confederation of Chambers of Commerce, Trade and Industry.

(i) The Chairman General of the Zambia Confederation of Employers.

(j) The Chairman General of the Zambia Congress of Trade Unions.

(k) The Chief Executive Officer of the Stock Exchange.

(4) The members of the Board shall be appointed by the President.

TENURE AND VACANCY OF OFFICE

6(1) The members referred to in Section five shall hold office for a period of three years from the date of appointment and may be re-appointed upon expiration of that term.

(2) The members referred to in Section five may resign upon giving one month's notice in writing to the President and may be removed by the President at any time.

The office of a member shall be vacant:

(a) Upon his death.

(b) If he is absent without reasonable excuse from three consecutive meetings of the Board of which he has had notice.

(c) If he is lawfully detained or his freedom of movement is restricted for a period exceeding six months.

(d) On ceasing to be a representative of the organisation from which he was nominated; or

(e) If he is an undischarged bankrupt.

SEAL OF THE

7(1) The seal of the Board shall be such device as may be determined by the Board and shall be kept by the Secretary.

(2) The Board may use a wafer to rubber stamp in lieu of the seal.

(3) The affixing of the seal shall be authencated by the Chairman or any member and the Secretary or one other person authorised in that behalf by a resolution of the Board.

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(4) Any contract or instrument which if entered into or executed by a person not being a body corporate would not be required to be under seal, may be entered without seal on behalf of the Board by the Secretary or any other person generally or specifically authorised by the in that behalf.

(5) Any document purporting to be under the seal of the Board or issued on behalf of the Board shall be received in evidence and shall be deemed to be executed or issued as the case may be without further proof, unless the contrary is proved.

REMUNERATION AND ALLOWANCES

8. A member shall be paid such remuneration or allowances as the Board may determine.

PROCEEDINGS OF THE BOARD

9(1) Subject to the provisions of this Act the Board may regulate its own procedure.

(2) The Board shall meet for the transaction of business at least once every three months at such places and at such times as the Chairman may decide.

(3) Upon giving notice of not less than fourteen days, a meeting of the Board may be called by the Chairman and shall be called if not less than five members so request in writing.

Provided that if the urgency of any particular matter does not permit the giving of such notice a special meeting may called upon giving a shorter notice.

(4) 7______________ members shall form a quorum at any meeting of the Board.

(5) There shall preside at any meeting of the Board.

(a) The Chairman;

(b) In the absence of the Chairman, the Deputy Chairman, or

(c) In the absence of the both the Chairman and the Deputy Chairman such member as the members present may elect for the purpose of the meeting.

(6) A decision of the Board on any question shall be by a majority of the members present and voting at the meeting and, in event of an equality of votes, the person presiding at the meeting shall have a casting vote in addition to his deliberative vote.

(7) The Board may invite any person, whose presence is in its opinion desirable to attend and to participate in the deliberations of a meeting of the but such person shall have no vote.

(8) The validity of any proceedings or decision of the Board shall not be affected by any vacancy in the membership of the Board or by any defect in the appointment of any member or by reason that any person not entitled so to do took part in the proceedings.

(9) The Board shall cause minutes to be kept of the proceedings of every meeting of the Board and of every meeting of any committee established by the Board.

10(1)The Board may for the purpose of performing its functions establish committees and delegate to any such committee such of its functions as it thinks fit. SUB COMMITTEE

(2) The Board may appoint as members of a committee established under subsection (1) persons who are or are not members of the Board and such persons shall hold office for such period as the Board may determine.

(3) Subject to any specific or general direction of the Board any committee established under subsection (1) may regulate its own procedure.

DISCLOSURE OF INTEREST

11(1) If any person is present at a meeting of the Board or any committee of the Board at which any matter is the subject of consideration and in which matter that person or his spouse is directly or indirectly interested in a private capacity, he shall, as soon as is practicable after the commencement of the meeting, disclose such interest and shall not, unless the Board otherwise directs, take part in any consideration or discussion of or vote on, any question touching such matter.

(2) A disclosure of interest made under this section shall be recorded in the minutes of the meeting at which it is made.

IMMUNITY OF MEMBERS

12. No action or other proceedings shall lie or be instituted against any member or members of a committee for or in respect of any act or thing done or omitted to be done in good faith in the exercise or purported exercise of his functions under this Act.

CHAIRMAN OF THE TECHNICAL COMMITTEE

13(1) The Board shall appoint on such terms and conditions as it may determine determine a Chairman of the Technical Committee who shall be the Chief Executive Officer of the Board, and shall be responsible for the administration of the Technical Committee and the implementation of the decisions of the Board.

(2) The Chairman, Technical Committee may, subject to the approval of the Board establish such organisational structures for the Technical Committee as he may consider necessary for the discharge of the functions of the Agency.

SECRETARY AND OTHER STAFF

14(1) There shall be a Secretary to the Board who shall be appointed by the Board on such terms and Conditions as the Board may determine.

(2) The Secretary shall be responsible for the administration of the day to day affairs of the Board under the general supervision of the Chairman of the Technical Committee.

(3) The Board may appoint, on such terms and conditions as it may determine, such other staff who shall collectively compose a standing committee to be known as the Technical Committee on Privatisation as it considers necessary for the performance of its functions under this act.

(4) For the avoidance of doubt the Technical Committee shall under the supervision of the Board:

(a) Exercise all functions and powers and perform all duties which under or by virtue of this Act or any other written laws are or may be vested or delegated to it; and

(b) Do all such things as are necessary or incidental or conducive to the discharge of functions specified in this Act.

(5) Notwithstanding the generality of subsection 4 , the functions of the Technical Committee shall include but not limited to the following, that is to:

(a) Identify key policies and key issues which need to be defined and addressed to ensure the successful implementation of the Privatisation Programme. Recommend appropriate policies to ensure the successful implementation of the Programme.

(b) Identify and recommend Programme key areas to be included in the Privatisation legislation.

(c) Monitor progress or Programmes which will affect privatisation to ensure appropriate progress in accordance with the Privatisation Implementation Plan. Take appropriate action where necessary.

(d) Propose the candidates and timing for the Longterm Divestiture Sequence Plan. Incorporating Government's policy and principles with respect to Privatisation in Zambia.

(e) Identifying areas of special skills requirements in the implementation of the Privatisation Programme.

(f) Propose the most appropriate method of sale for each privatisation candidate and the valuation of the Company's net worth for pricing purposes.

(g) Prepare the Memoranda of Sale and other relevant documentation necessary to effect a sale.

(h) Set prequalification criteria for each company being offered for sale to ensure acceptable buyers.

(i) Evaluate offers from potential buyers.

(j) Advise on action to take before the the sale of a company can be effected.

(k) Prepare head of sale agreement to enforce commitments from buyers and incorporate other factors important to conclusion of sale.

(l) Select and head the negotiation team for trade sales.

(m) Advise on the best negotiating strategy for maximum benefit from a trade sale.

(n) Monitor after sale implementation of terms and conditions of sales agreement.

(o) To make improvements in the organisation and management of the Privatisation Programme on the basis of the experience to be accumulated in its implementation.

(p) To maintain close liaison with all institutions relevant in making the implementation of the Privatisation Programme a success.

(q) Carry out any other tasks necessary for the effective implementation of the Privatisation Programme.

PROHIBITION OF PUBLICATION OR DISCLOSURE OF INFORMATION BY UNAUTHORISED PERSONS

15(1) No person shall, without the consent in writing given by or on behalf the Board, publish or disclose to any person, otherwise than in the course of his duties, the contents of any documents, communication or information whatsoever, which relates to, and which has come to his knowledge in the course of his duties under this Act.

(2) Any person who knowingly contravenes the provisions of subsection (1) shall be guilty of an offence and shall be liable upon conviction; to a fine not exceeding ten thousand Kwacha (K10,000) or to imprisonment for a term not exceeding twelve (12) months or both.

(3) If any person having information to his knowledge has been published or disclosed in contravention of subsection (1) unlawfully publishes or communicates any such information to any person he shall be guilty of an offence and shall be liable upon, conviction, to a fine not exceeding ten thousand Kwacha (K10,000) or to a term not exceeding twelve (12) months or to both.

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16. For the due and faithful discharge of the functions of the Board and the Technical Committee members thereof and any person who may be involved in the Privatisation process shall be required to take an oath of secrecy. OATH OF SECRECY

PART III

PRIVATISATION AND COMMERCIALISATION OF STATE OWNED ENTERPRISES

17(1) All state owned enterprises shall be fully or partially privatised as the Board may deem appropriate. PRIVATISATION OF ENTERPRISES

(2) Privatisation of state owned enterprises shall be carried out in accordance with a divestiture sequence plan that shall be drawn up by the Technical Committee.

(3) The divestiture sequence plan shall be approved by the Board.

(4) The execution of the divestiture sequence plan will be authorised by the Government.

(5) Nothing in any instrument or law shall prohibit the varying or amending the divestiture sequence plan as originally drawn.

18. The President, where in his opinion, public interests so demand, may by statutory instrument order: SOME ENTERPRISES TO BE EXEMPT AND GOLDEN SHARE

(a) That any state owned enterprise or enterprises shall not be privatised under this Act.

(b) That the state shall retain a special share with rights as may be prescribed in any state owned enterprise to be privatised under this Act.

19. In consultation with the Government, the Board may by statutory instrument prescribe: POWER TO MAKE REGULATIONS

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(a) Anything which in this Act is required or permitted to be prescribed.

(b) Sale tender procedures.

(c) Public flotation procedures.

(d) Pre-qualification and registration of bidders procedures.

(e) Public announcement requirements.

(f) Tender evaluation procedures.

(g) Tender selection procedures.

(h) Negotiation guidelines.

(i) Final sale monitoring guidelines.

(j) Pre and post sale audit requirements.

(k) Any forms for the purpose of this Act.

(l) Any fees payable in respect of any service provided by the Agency through the Board.

(m) Such other matters as are necessary or conducive to the better carrying out of the purposes of this Act.

OFFER FOR SALE OF SHARES AND MODES OF PRIVATISATION

20(1) All shares of state owned enterprises to be privatised shall be sold in accordance with the provision of this Act.

(2) Prior to offering shares for sale the Board shall caused to be carried out an economic and or financial analysis of the business of the state owned enterprise in order to determine its value and establish whether organisational economic or technical changes are required.

(3) The Board shall also cause to be carried out an analysis in order to establish the legal status of the property of the state owned enterprise with particular emphasis on claims on the property by third parties.

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(4) In order for the country to derive the maximum benefit from the sale of state owned enterprises the Board may employ any of the following methods of sale, that is to say:

(a) Public offering of shares.

(b) Private sale of shares.

(c) Attract new private investment in a state owned enterprise.

(d) Sale of physical assets.

(e) Reorganisation or breaking up into component parts of state owned enterprises before selling those parts separately.

(f) Management and or employee buyouts.

(g) Lease and management contracts.

(h) A combination of any of the foregoing methods.

(5) Whenever the Board deems fit and expedient any state owned enterprise - may be liquidated in accordance with the provisions of the law.

21. The sale of shares in state owned enterprises shall be open to Zambian investors and foreign investors who can lawfully invest in Zambia. ELIGIBLE BUYERS

22. The shares in a state owned enterprise shall be allotted by the Board so as to encourage maximum participation by Zambian as well as encourage new foreign investment.

23(1) When offering shares for sale it shall be lawful for the Board to do any or all of the following things: ABSORPTIVE CAPACITY

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(a) To offer discount on the purchase of shares to investors who purchase a small number of shares.

(b) To give a share bonus to small shareholders who keep shares for a prescribed period.

(c) To permit Zambian investors and or management and employees to pay for shares by instalments.

(d) To defer the sale of shares to the public or to Zambians in certain companies.

(e) To provide inter alia, in the contract of sale a provision that a buyer shall float a portion of the company for Zambian and/or public participation.

(f) To divest shares in phases whereby a portion of the shares is retained for sale at a later stage.

(g) To permit small investors who have purchased small units in a portfolio of equity investment in a mutual fund to purchase shares.

(2) Notwithstanding anything to the contrary in any written law or instrument it shall be lawful for credit creation to finance privatisation through Commercial Banks.

DEBT/ EQUITY SWAPS

24(1) Subject to any other provisions of this Act or other written law the shares of state owned enterprises shall be sold for cash.

Provided always it shall be lawful for the debt of the affected state owned enterprise to be converted into equity as an alternative form of financing sale of shares.

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(2) The conversion of debt for equity referred to in subsection (1) shall be carried out in accordance with the regulations that the Minister of Finance in consultation with the Bank of Zambia may make by statutory instrument.

25. The Board shall have power to incorporate into public liability companies under the Companies Act all enterprises to be privatised under this Act where such companies are not already incorporated.

INCORPORATION OF ENTERPRISES TO BE PRIVATISED

26. In consultation with the Ministry responsible for any Government Department whose services can be commercialised, the Board shall have powers to either fully or partially commercialise such a Department.

COMMERCIALISATION OF STATE ENTERPRISES

27. Notwithstanding the provisions of any enactment and without prejudice to the generality of section (26) all enterprises commercialised under this Act shall have power to operate as purely commercial enterprises and may subject to the general regulatory powers of the state:

POWERS OF COMMERCIALISED ENTERPRISES

(a) Fix rates, prices and charges for goods and services provided;

(b) Capitalise assets;

(c) Borrow debenture stocks; and

(d) Sue and be sued in its corporate name.

28. The Board shall have power at anytime to privatise any commercialised enterprise, in accordance with the provisions of this Act.

PRIVATISATION OF COMMERCIALISED ENTERPRISES

29(1) All proceeds from completed sales of shares shall be paid into the Privatisation Revenue Account with the Bank of Zambia

PROCEEDS OF SALES AND USAGE

(2) The proceeds of sale referred in subsection (1) may be used for any of the following purposes:

(a) Funding the cost of privatisation;

(b) Supporting new investment;

(c) Expanding existing productive capacities;

(d) Financing credit creation for Zambian investors;

(e) Rehabilitating existing plants;

(f) Supporting new capital investments.

(h) Providing for financial restructuring of privatisation candidates.

PART IV

FINANCIAL AND OTHER PROVISIONS

30. The funds of the Board shall consist of such moneys as may: FUNDS

(1) (a) Be appropriate by Parliament, for the Board;

(b) Be paid to the Board by way of grants or donations; and

(c) Vest in or accrue to the Board.

(2) The Board may:

(a) Accept money by way of grants or donations from any source in Zambia.;

(b) Raise money by way of loans or other wise from any source in Zambia and subject to the approval of the Minister responsible for finance, from any source outside Zambia, such moneys as it may require for the discharge of its functions; and

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(c) Charge and collect fees in respect of programmes publications, seminars, documents, consultancy services and other services provided by the Steering Committee.

(3) There shall be paid from the funds of the Board.

(a) The salaries, allowances and loans of the staff of the Board.

(b) Such reasonable travelling, transport and subsistence allowance for the member or members of any sub-committee of the Board when engaged on business of the Board at such rates as the Board may determine; and

(c) Any other expenses incurred by the Board in the performance of its functions.

(4) The Board may invest in such manner as it thinks fit such of its funds as it does not immediately require for performance of its functions.

FINANCIAL YEAR

31. The financial year of the Board shall be the period of twelve (12) months ending 31st December, in each year.

ACCOUNTS

32(1)The Board shall cause to be kept proper books of account and other records relating to its accounts.

(2) The accounts of the Board shall be audited annually by independent auditors appointed by the Board.

(3) The auditors' fees shall be paid by the Board.

ANNUAL REPORT

33(1)As soon as practicable, but not later than six months after the expiry of the financial year the Board shall submit to the Government a report concerning its activities during the financial year.

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(e) Not cause the assets of the company to be stripped.

(f) Ensure that the enterprise's performance is not adversely affected as a result of the privatisation announcement.

(g) Refrain from taking any action or actions which can cause industrial unrest.

(h) Not undertake any new capital investment programmes except those specifically authorised by the Board.

(i) Not give any potential investor information which might give him undue advantage over others.

(j) Pay all costs of and incidental to the privatisation of the enterprise such as but not limited to:

(i) Valuation fees;
(ii) Legal Costs;
(iii) Advertising charges; and
(iv) Marketing expenses.

(k) Give maximum co-operation to the Board and/or the Technical Committee.

(l) When requested by the Board and or the Technical Committee, disclose all or known potential information about the company.

(2) Any person or officer of the enterprise who knowingly contravenes the provision of subsection (1) shall be guilty of an offence and shall be liable upon conviction to a fine of not exceeding ten thousand Kwacha (K10,000.00) or to imprisonment for a term not exceeding twelve (12) months or to both.

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36. No member of the Board or Technical Committee shall participate in the sale of shares unless the sale is by public offer of shares and or in any other case with the consent of the President. **SALE OF SHARES TO MEMBERS**

37. Any dispute arising from any matter touching the privatisation process shall be settled by arbitration in accordance with the Arbitration Act. **ARBITRATION**

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APPENDIX B

Investment Act No. 19 of 1991

INVESTMENT ACT NO. 19 OF 1991

The National State Assembly recently passed the Investment Act No. 19 of 1991.

In the following pages we summarise the key sections of this Act which details the various procedures for application and the incentives available.

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2.	Investment Centre and Board	1
3.	Procedures for Investors	2 - 3
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5.	Additional Incentives	5
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1. INTRODUCTION

The Act seeks to revise the law relating to investment in Zambia and in particular to

(a) constitute the Investment Centre
(b) establish the Investment Board
(c) define the functions of the Centre and Board
(d) revise the provisions relating to the procedures for dealing with applications for investment licences
(e) provide for investment guarantees
(f) repeal the Investment Act, 1986
(g) provide for matters connected with or incidental to the above.

An investor who holds a valid investment licence or permit or certificate of incentives or manufacturing licence under the Investment Act 1986 should give written notice to that effect to the Board within six months of the commencement of this Act. The rights and benefits accruing to the holder of such licence, permit etc. shall continue in accordance with the provisions of this Act.

2. INVESTMENT CENTRE AND BOARD

The functions of the Investment Centre will be carried out under the supervision of a Director General. The Director-General shall be the chief executive officer of the Board and shall be responsible for the administration of the Centre and the implementation of the decisions of the Board.

The Act establishes the Investment Board for the Centre, which shall be responsible for the discharge of the functions and business of the Centre. The Board consists of sixteen members made up as follows:

(a) a representative from each of the Ministries responsible for finance, planning, commerce, industry, agriculture, transport, tourism and legal affairs,

(b) a representative of the Bank of Zambia,

(c) the Director General of the Centre,

(d) three persons representing the Zambia Confederation of Chambers of Commerce & Industry, the Commercial Farmers Bureau and the Zambia Association of Manufacturers,

(e) three reputable businessmen appointed by the Minister.

The members of the Board other than the Director-General shall hold office for a period of three years and may be re-appointed upon the expiration of that term. Nine members shall form a quorum at any meeting of the Board.

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3. PROCEDURES FOR INVESTORS

Any person may apply to invest in Zambia in accordance with the conditions of an investment licence issued under the Act. The application for an investment licence shall be made in writing to the Director-General accompanied by the prescribed fee and shall contain the following information:-

(a) the name and address of the proposed business enterprise, its legal form, details of its directors, shareholders or partners and also details of shareholdings in the enterprise,

(b) the nature of the proposed activity and location where such activity is to be carried out,

(c) details of proposed capital structure, amount of investment, number of persons to be employed and the projected sales revenue for the first five years,

(d) qualifications, experience etc. of the applicant and his employees to carry out the business activity,

(e) the incentives for which the applicant expects to qualify,

(f) details of technology transfer agreements entered into or to be entered into,

(g) any other matters the applicant considers relevant to the application.

The Director-General shall on receipt of an application for an investment licence, investigate and consider it and within thirty days of receipt, grant or refuse the application. Where an application for an investment licence is rejected, the Director-General shall inform the applicant in writing within seven days of the decision, giving reasons for the rejection.

definition?

An investment licence issued ~~under this~~ Act has an unlimited period of validity (subject to it being utilised within twelve months from the date of issue) and shall ~~contain~~ terms and conditions and incentives granted ~~(if~~ any). It also authorises ~~the~~ holder to make the necessary arrangements for the commencement of the business. The Director-General shall within one month from the date of issuance of the licence obtain for the holder any permissions, authorisation, licences and other registrations required for operating the business to which the investment licence relates.

The holder of an investment licence shall as soon as he commences operations of the business, notify the Director-General in writing of the date of commencement of business. The Board shall thereafter verify such commencement of operations.

The holder of an investment licence may at any time during the validity of the licence apply to the Director-General for variation of the terms and conditions of the licence and the incentives granted thereunder.

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3. PROCEDURES FOR INVESTORS (CONTINUED)

If the holder of an investment licence is unable to commence operations within twelve months from the date of issue of the licence, he may at least sixty days before the expiry of the licence apply to the Director-General for an extension of the period. The application should indicate the reasons for the extension and if the Director-General is satisfied with the reasons, he may extend the validity of the period. Where the holder of the investment licence decides not to continue with the project to which the licence relates, he should notify the Director-General in writing and surrender the licence.

Where an investment licence is cancelled, the holder of the licence shall cease to be entitled to the benefits contained under the Act from the date of the cancellation and shall return the licence to the Director-General.

Scale? Does this apply to small scale industries?

Subject to the provisions of this Act, no person shall manufacture any product whether for sale in or outside Zambia unless he has been registered in accordance with Section 28 of the Act. An investor who applies for an investment licence in respect of a manufacturing enterprise shall not be required to make a separate application provided the relevant information is contained in this application.

An application for registration as a manufacturer shall be made to the Director-General and shall

(a) describe the products the enterprise intends to manufacture,

(b) describe the place/places where manufacturing is to be carried out,

(c) provide any other information which may from time to time be prescribed.

Within six weeks of receipt of the application, the Director-General shall consider the application and issue a certificate of registration accordingly.

4. INVESTMENT INCENTIVES

Investment incentives under the Act apply to any investor who holds an investment licence and whose enterprise,

Definition? (a) is an exporter of non-traditional products or services which results in net foreign exchange earnings or,

(b) produces products for use locally in agriculture or produces commodities or other agro-related products for export or,

(c) is engaged in tourist activities which has foreign exchange earnings in excess of 25% of the gross annual earnings of the business or,

(d) is an import substitution industry with a significant proportion of local raw material usage which results in net foreign exchange savings or,

Definition? (e) is located in a rural area.

A rural area is defined in the Act to mean any area in Zambia other than Kabwe Urban District, Kafue Township, Livingstone District, Lusaka Urban District, and the Copperbelt Province excluding Ndola Rural District.

If a business enterprise which was operating on the date of coming into force of this Act, commences a new business which meets any of the criteria set out above, then the new business shall qualify for the incentives under the Act, if separate accounts are maintained for the new business.

An investor who qualifies for incentives shall be entitled to:-

(a) exemption from customs duties and sales tax on all machinery and equipment for the establishment, rehabilitation or expansion of an enterprise,

(b) exemption from tax on dividends for seven years from the date of commencement of business,

Defined? (c) exemption from income tax on company profits for three years from the date of commencement of business and a 75% exemption for the following two years,

(d) exemption from selective employment tax for seven years,

(e) retention of gross foreign currency earnings as follows:

(i) first three years - 70%
(ii) next two years - 60%
(iii) remaining period of validity of investment licence - 50%

The earnings so retained should be used for acquiring inputs required for the business enterprise and for overseas remittances in respect of debt servicing, profits, dividend payments and settlement of external obligations of the business.

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5. ADDITIONAL INCENTIVES

5.1 Certain exporters

Exporters shall in addition be entitled to foreign exchange from the Export Revolving Fund established by the Bank of Zambia for financing the import content which does not exceed sixty percent of the value of the product to be exported.

5.2 Agricultural enterprises

Agricultural enterprises shall in addition be entitled to the following incentives:-

(a) access to foreign exchange in accordance with conditions as may be determined by the Board of the Investment Centre in consultation with the Bank of Zambia and the Ministry of Agriculture for the producers of maize, wheat, barley, soya beans, livestock, fisheries, etc,

(b) in the case of foreign investment, externalisation of 12.5% of the annual after tax profit attributable to the foreign investment,

(c) in the case of growers of specialised crops, a deduction from income for tax purposes of ten percent of the gross investment in local currency.

5.3 Tourist enterprises

Tourist enterprises shall in addition be entitled to the following incentives:-

(a) priority in the allotment of land by relevant authorities for the construction of hotels, chalets etc,

(b) priority in the provision of water, electricity, transportation and communication services to the enterprises at such rates accorded to Government enterprises.

5.4 Import substitution industries

Import substitution industries in addition shall have access to any revolving fund which may be established by the Government for research and. development.

5.5 Small scale village enterprises

A small scale enterprise or a village enterprise registered under the Small Industries Development Act, 1981 shall be entitled to the following incentives:-

(a) (i) for an enterprise operating in an urban area, exemption from payment of income tax for the first three years of operations,

(ii) for an enterprise operating in a rural area, exemption from payment of income tax for the first five years of operations,

(b) exemption from payment of customs duties and sales tax on imported equipment to be used in the enterprise,

(c) operation of a manufacturing enterprise without a manufacturing certificate required under any law for the first five years,

(d) for an enterprise with an investment in plant and machinery of

6. INVESTMENT GUARANTEES

No property or an interest in or right over property of an investor shall be compulsorily acquired except under an Act of Parliament which provides for compensation in respect of the acquisition. Compensation under this Act is payable promptly at the market value and shall be remittable at the ruling exchange rate in the currency in which the original investment was made. The remittance shall be made without deduction of taxes, levies etc. except where these are due.

The Act also provides for the procedures to be adopted in the case of a dispute between an investor and the Board or the Government.

The holder of an investment licence shall be entitled to transfer in foreign currency

a) dividends or net profits up to 75% of the after tax profit attributable to the paid up foreign capital,

b) the principal and interest of any foreign loan specified in the investment licence with the approval of the Bank of Zambia,

c) fees, royalties etc. approved by the Bank of Zambia in respect of any agreement,

d) the net proceeds of sale or liquidation of the enterprise attributable to the foreign investment,

e) any proceeds arising from an arbitration award under this Act.

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Appendix C

Organisation Chart for Privatisation Unit

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ORGANISATION CHART FOR PRIVATISATION UNIT

SUMMARY OF MAIN DIVISIONS AND RESOURCE REQUIREMENTS

	Technical Assistance	Local Resources
Head of Unit		1
Privatisation planning and management	2	5
Financial, Economic and Business	1	15
Human Resource and Labour Issues		5
Legal		1
Valuations and Pricing	1	3
Publicity and Marketing		3
Bid management, negotiations, tender evaluation and sale conclusion	2	5
Administration		4
- Secretaries		6
- Office orderlies/drivers		5
TOTAL	6	53

NOTES

1. Technical Assistance requirements:
   Initial two year contracts 4
   Initial one year contract 2

2. There should be some cross movement of local resources where divisions have different workloads to maximise use of manpower.

3. All support staff should be managed by the Administration Division to ensure effective management and control of workloads.

4. Ad hoc Technical assistance requirements:
   There will be a need for ad hoc technical assistance for asset valuations throughout the Programme. The nature and extent of technical assistance required is company specific. The timing depends on the sequencing plan.

5. The staffing numbers assume that two tranches of about ten companies each are divested each year.

6. The Organisation Chart does not reflect the relative positions of the members of the Privatisation Unit. The purpose of this document is to set out the relationship between divisions and the tasks for which those divisions are responsible. A job evaluation exercise will be undertaken by ZIMCO to set up the relevant responsibilities.

PRIVATISATION PLANNING AND MANAGEMENT

MAIN TASKS

- Objectives and policy
  - mission statement
  - statement of objectives
  - policy statement
  - policy legislation
  - policy review and implementation

- Divestiture sequence plan

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  - Selection of candidates and privatisation potential
  - Review of objections to immediate privatisation for the selected companies from other divisions of the Privatisation Secretariat
  - Identification of tasks to be undertaken prior to divestiture
  - Timing of divestiture with due consideration to factors which may affect timing e.g. private sector absorptive capacity, foreign investor interests, public expectation etc.

- Development of methodology and procedures

  The objective of this task is to develop standard methodologies and procedures for the divestiture of State Owned Enterprises. This includes inter alia:

  - information gathering techniques
  - tender packages for sales by tender
  - prospectus documentation for public offers
  - tender evaluation rules
  - bid management procedures
  - sales agreement documentation
  - negotiations

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- Enterprise diagnosis

  The objective of this task is to identify the privatisation potential of each company and requires the coordination of the different divisions of the Privatisation Secretariat to prepare a company specific report. While the ultimate responsibility is that of the Privatisation Manager, an individual should be identified as Project Leader for each organisation. Identification of this individual will depend on a number of factors e.g. industrial sector, nature of operations, size, complexity of operations, etc. The identification of specific tasks is included within the divisions under the heading "Preparation of organisation for Privatisation."

- Preparation of Organisation for sale

  This task is listed here as the ultimate responsibility for the timely completion of information lies with the Privatisation Manager. Coordination of the activities of the different divisions will be undertaken to ensure that all issues have been addressed prior to the organisation being offered for sale.

- Negotiations and final agreements

  This task is listed here as the ultimate responsibility for negotiations and conclusion of the sale to the satisfaction of the purchaser, the shareholder and Government lies with the Privatisation Manager. He will not necessarily be directly involved in the negotiations but should ensure that he is continually informed as to proceedings and developments.

- Review and debrief of privatisation activities

  The purpose of this task is to ensure early identification of problem areas and to identify mistakes made, reasons therefor and ensure that requisite action is taken to prevent reoccurrence.

MANPOWER RESOURCES NEEDS

1 Technical Assistance:

1.1 Privatisation Manager/Advisor - long term position

This position is needed for the planning and management of the Privatisation programme. Candidate should have Privatisation experience in developing countries. The initial contract should be for a period of two years.

1.2 Corporate Finance - long term position

This position is needed to assess the position vis-a-vis existing foreign investors in Zambia. Most of these investors have proposed corporate restructuring, a dilution of Government investment and debt/equity swaps. The investor interest should be addressed quickly to maintain the momentum for Privatisation. The initial contract should be for a period of one year.

2 Local Resources

Five (5) senior management personnel with professional qualifications in business, corporate planning experience and project management skills.

FINANCIAL, ECONOMIC AND BUSINESS

MAIN TASKS

Overall Programme

These tasks have been identified with a view to setting the overall policy and longterm planning and management of the Privatisation Programme

- identify key issues to be addressed which will affect implementation of the Privatisation Programme; statement of actions to be taken and assignment of responsibility. This task to be closely coordinated with and supported by the shareholders (ZIMCO, INDECO, NIEC and NHDC), the Ministry of Commerce, Trade and Industry, the Ministry of Finance, BOZ and other appropriate organisations.
- identify key policy issues to be included in Privatisation objectives statement and Privatisation legislation.
- monitor the progress of programmes which do not directly fall within the Terms of Reference of the Technical Committee but affect implementation of the Privatisation Programme. These include, inter alia, implementation of the Stock Exchange, interim arrangements for public flotation of shares, review and updating of legislation, macro-economic policy issues.
- estimate the revenue proceeds from Privatisation.
- estimate costs of privatisation arising from financial restructuring such as alleviation of liabilities, formal liquidations etc.

P ivatisation potential for individual organisations

Prior to the decision to divest of an individual organisation, the privatisation potential has to be assessed. The tasks to be undertaken are detailed below:

- obtain information about organisation. This may be done by questionnaire, interview or use of other information gathering techniques
- review nature of business, operations and activities undertaken by the organisation
- by management interview, perform SWOT analysis and identify problem areas
- perform financial analysis; include analysis of profitability, liquidity, gearing, working capital. This should be as detailed as possible detailing activities by department and by product, where possible. Break even analysis should also be done.
- perform market analysis and sector analysis
- investigate liabilities and identify contingent liabilities
- review asset ownership and encumbrances

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- ensure adequate provisions for asset write-downs and potential liabilities e.g. bad debt provisions, stock obsolescence, redundancy payments etc.
- investigate special privileges that company has by virtue of being a State Owned Enterprise
- assess privatisation potential and modality; this must be coordinated with human resource and legal divisions of the Privatisation unit.

Preparation of organisation for Privatisation

These tasks arise as a direct result of the Privatisation Potential R iew and will to a large extent depend on the recommendations arising from that review. Issues to be addressed will include, inter alia:

- Balance sheet restructuring
- Debt restructuring/write down
- Liquidity issues
- Formal liquidations
- Valuation of working capital elements
- Costs of Privatisation
- Financial management of pension payments and redundancy

Packaging of organisation for sale

The packaging of the organisation for sale depends on the method of divestiture. The objective is to provide information to prospective purchasers on the organisation. This task must be coordinated with the human resources and legal divisions of the Privatisation unit.

M IPOWER RESOURCES NEEDS

1 Technical Assistance:

Manager - Finance, Economic and Business Division - long term position

This position is needed to manage the collection and analysis of information for the Privatisation programme. In addition the privatisation detailed analysis for each company will be the responsibility of the Financial, Economic and Business Manager. The Candidate should have Privatisation experience in developing countries. The initial contract should be for a period of two years.

2 Local Resources

Fifteen (15) personnel at varying levels of experience, ranging from newly qualified to five years, and with professional qualifications in finance, accountancy, economics, engineering and business. It is envisaged that these teams will work in teams; the teams will be company specific and the composition will depend on the nature and extent of the tasks as directed by the manager of this division.

HUMAN RESOURCE AND LABOUR ISSUES

MAIN TASKS

Overall Programme

These tasks have been identified with a view to setting the overall policy and longterm planning and management of the Privatisation Programme

- identify key labour issues to be addressed which will affect implementation of the Privatisation Programme; statement of actions to be taken and assignment of responsibility. This task to be closely coordinated with and supported by Ministry of Labour and Social Services (MLSS).
- identify key policy issues to be included in Privatisation objectives statement and Privatisation legislation. Close links with MLSS needed.
- monitor the progress of labour programmes which do not directly fall within the Terms of Reference of the Technical Committee but affect implementation of the Privatisation Programme.
- maintain dialogue with MLSS and appropriate labour organisations to promote support for the Programme. Identify issues and disseminate information with policy recommendations where needed.
- estimate and quantify the effects of Privatisation on the labour force and the potential costs of Privatisation in terms of potential retrenchment.
- review the labour conditions (e.g.pensions, redundancy provisions, conditions of service, contract arrangements) and identify the implications for Privatisation.
- review proposed employee participation schemes to identify potential labour issues to prevent their successful implementation

Privatisation potential for individual organisations

Prior to the decision to divest of an individual organisation, the privatisation potential has to be assessed. The tasks to be undertaken are detailed below:

- identify by management interview the general labour conditions specific to the organisation. These include, inter alia, labour unrest, manpower levels and related efficiency, skills shortages, special conditions of service, management/employee relations, views on privatisation
- assess management cooperation
- review the manpower levels and identify areas of over/understaffing
- review employee contracts, conditions of service, pension rules and regulations and other relevant documentation

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- identify areas for concern and make recommendations on whether organisation may be privatised immediately and what actions need to be taken prior to privatisation or detail reasons why privatisation should be deferred and estimated timing
- identify social responsibilities of the organisation and potential loss to the community of certain activities undertaken by the organisation. Identify what should be done to ensure continuity of services, e.g.:
  - Government responsibility for activity
  - guarantee by prospective purchaser to ensure continuity

[illegible] of organisation for Privatisation

[illegible] tasks arise as a direct result of the Privatisation Potential [illegible] and will to a large extent depend on the recommendations [illegible] from that review. Issues to be addressed will include, inter [illegible]:

- pension schemes and employees pension rights
- required changes to conditions of service
- costs of redundancies
- potential for industrial unrest
- reduction of labour force and identification of skills requirements
- establishment of productive dialogue with management and workers
- employee participation schemes

[illegible] of organisation for sale

[illegible] tasks depend on the method of divestiture. The objective is to [illegible] information to prospective purchasers on the organisation. [illegible] related issues include, inter alia:

- manpower levels
- employees conditions of service and special conditions of service
- pension schemes
- management qualifications, experience and characteristics
- requirements for commitment by the private employer to maintain employee levels and implications

[illegible]POWER RESOURCES NEEDS

Local Resources

Five [illegible] personnel at varying levels of experience and with professional qualifications in human resources. The manager of this [illegible] will have an appropriate postgraduate qualification.

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LEGAL

MAIN TASKS

Overall Programme

These tasks have been identified with a view to setting the overall policy and longterm planning and management of the Privatisation Programme

- draft Privatisation bill
- identify legal and regulatory framework required e.g. legal requirements for the conversion of a private company to a public company
- review Companies Act, Stock Exchange Act, Banking Act, Taxation Act and other supporting legislation to identify required legislative changes and make recommendations to relevant Ministries

Privatisation potential for individual organisations

Prior to the decision to divest of an individual organisation, the privatisation potential has to be assessed. Review of legal implications of the following to be undertaken:

- memorandum and articles
- rights of creditors, shareholders, employees, and other third parties
- loan agreements and Government and shareholder guarantees
- rights of minority shareholders and preemptive rights

A document must be prepared listing the legal restrictions and : entifying the necessary actions to enable the organisation to be sold.

Preparation of SOE for Privatisation

These tasks arise as a direct result of the Privatisation Potential Review and will to a large extent depend on the recommendations arising from that review.

MANPOWER RESOURCES NEEDS

Local Resources

One (1) person with professional qualifications in Law and experience of Company Law.

In addition two advisors have been identified to provide ad hoc assistance throughout the Programme. These are Mr.J. Siwabu, Legal Services Corporation and Mr. B. Munyama, Nkwazi Chambers.

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VALUATIONS AND PRICING

MAIN TASKS

- Overall responsibility for advising the best price that may be obtained on sale of a State Owned Enterprise considering all factors related to valuations and pricing. These include:
  - GRZ policy
  - improving the efficiency and competition of the Zambian business and economic environment
  - social impact of Privatisation
  - absorptive capacity of investor market
- Asset valuations
  - identification of subcontractors
  - identification of need for special requirements or expertise
  - assessment of competence base for asset valuations within Zambia
  - review of procedures and valuation to ensure assets are valued properly so as to provide investor confidence in valuations
- Company valuations
  - standard methodology for company valuations with recommendations for accepted methodologies
  - assessment of the need for independent valuation certificates (this will be company specific) and where required identification of subcontractors
- Identification of issues that will affect valuations. This information will be company specific. Issues will include, inter alia:
  - requirements for commitment by the private employer to maintain employee levels
  - asset specific factors e.g. age, technology, condition relevance etc.
  - liabilities
  - operating and legal agreements
  - investor needs e.g. reluctance to assume responsibility for loans
- Price setting
  - methodology for pricing of public issues
  - minimum bid price for private sales
  - assessment of extent of discount for management buyouts and employee participation schemes
  - assessment of effect of potential market response on pricing i.e. level of investor interest and availability of investor resources

MANPOWER RESOURCES NEEDS

1 Technical Assistance:

Company Valuation Expert - long term position

This position is needed to perform and, where outside valuers are engaged, ensure a fair valuation and recommendation for pricing of the enterprises prior to sale. The Candidate should be a Chartered Accountant or equivalent qualification with extensive experience in Corporate Finance and Company valuations. It will be an advantage if the candidate has Privatisation experience in developing countries. The initial contract should be for a period of two years.

2 Local Resources

Three (3) personnel with at least five years experience and professional qualifications in finance or accountancy.

PUBLICITY AND MARKETING

MAIN TASKS

- Investor marketing information:
  - company specific information
  - public announcements
  - intended sales announcements

- Public information campaign
  - seminars
  - public debates
  - education: pamphlets, weekly newspaper articles

- "Transparency" publicity
  - Publication of policy
  - Bidding system
  - Evaluation of bids
  - Results of negotiations
  - Valuation methodology
  - Rationale, methods and procedure for Privatisation

- Promotion campaigns
  - Public offers
  - Private sales
  - Concerns of various interest groups
  - Socio-political concerns
  - Private sector concerns

MANPOWER RESOURCES NEEDS

Local Resources

Three (3) personnel at varying levels of experience and with appropriate qualifications in public relations and marketing. The manager of this division will have an appropriate professional qualification.

International liaison will be coordinated with the bid management division.

BID MANAGEMENT, NEGOTIATIONS, TENDER EVALUATIONS AND SALE CONCLUSION

- Overall responsibility for obtaining the best price on sale of a State Owned Enterprise.

- Responsible for identifying potential investors, both international and domestic.

- Responsible for identifying the needs of potential investors and advising on how best to promote investor confidence with the confines of Government policy.

- Managing the bid process

  This process will necessarily depend on other divisions of the Privatisation Secretariat to prepare information and advise. All responsibility for communication with investors lies within this division. Tasks include:

  - for private sale: prequalification, tender issue, investor profile, evaluation of bids negotiation and conclusion of sale;
  - for public flotation: prospectus, price setting, allocation, underwriters, transfer of shares;

- Final negotiations and conclusion of sale

MANPOWER RESOURCES NEEDS

1 Technical Assistance:

1 Merchant Banker - long term position

This position is needed for the planning and management of the investor bids, negotiations and conclusion of sale. Candidate should have Privatisation experience in developing countries. The initial contract should be for a period of two years.

1.2 Public flotations Expert - long term position

This position is needed to prepare the first public flotation and to design the methodology for future public flotations. The initial contract should be for a period of one year. Thereafter it is expected that for each flotation a Public flotations expert will be required for three months. This will mean that assistance is required for a period of six months after the first year.

2 Local Resources

Six (6) personnel with professional qualifications in business, finance and accountancy. These candidates should have corporate finance experience.

ADMINISTRATION

TASKS TO BE LISTED

MAIN RESPONSIBILITY AREAS

Secretarial
Administration
Training
Accounting

Technical Committee on Privatisation
18 February 1992

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