

## Privatization of Public Enterprises

In the past, the dominance of the public enterprise sector in most African economies warranted the collection and publication of the sector's performance. With its diminishing size and importance due to privatization, it is no longer informative to produce such data. Instead, as privatization programs advance to maturity, it will become important to track the performance of private sector businesses. In the meantime, measurement of the level of privatization activity is a useful gauge of the decreasing role of governments in commercial business; conversely, it indicates how much of state-owned commercial activity has been transferred to the private sector. To the extent that data are available, it is also possible to measure how privatization has, over time, contributed to government revenues and mobilized savings and investment.

However, this measurement is by no means precise or easy to obtain, partly because of incomplete and inconsistent data but also because of redefinitions of the public enterprise sector. For example, some enterprises, notably those formerly in a monopolistic position, are being split in order to separate their commercial, social, developmental, and regulatory activities. In some cases, separate operating divisions or geographically distinct assets are sold separately. In yet other cases, commercial and semi-commercial activities are being separated out from government

ministries and other agencies to become redefined as "commercial enterprises." These include, for example, business centers, media, and some training institutes. So, the public enterprise sector, as defined several years ago, has changed. Nevertheless, the well over 3,500 privatization transactions that were reported across Africa up to the end of 2002 have brought about fundamental changes:

- The fiscal burden of public enterprises has been reduced or eliminated.
- Privatization receipts have contributed to a reduction in fiscal deficits.
- Privatization has attracted foreign direct investment both to acquire enterprises and for post-privatization investment in those businesses.
- The process has stimulated private sector development by making investment opportunities available, spurring capital market development, and contributing to a more competitive business environment.
- Because it is a politically sensitive subject, the process has highlighted the need for transparency and public accountability.

The tables presented in this chapter summarize data contained in the World Bank's Africa Privatization Database, which is accessible through the Internet: [www4.worldbank.org/afr/database/afpriv/p1query.cfm](http://www4.worldbank.org/afr/database/afpriv/p1query.cfm)

## 17-1. Summary of privatization of public enterprises

	Total number of trans- actions	Total sales value (US\$m)	Transactions completed						Transactions by sector			
			Before 1998	1998	1999	2000	2001	2002	Agriculture production & process	Financial	Manu- facturing	Services
SUB-SAHARAN AFRICA	3,486	6,686	2,777	141	76	72	7	7	826	180	1,603	877
excluding South Africa	3,475	4,477	2,771	140	76	70	7	7	826	180	1,598	871
excl. S. Africa & Nigeria	3,394	4,270	2,690	141	76	72	7	7	826	180	1,575	860
Angola	57	..	56	..	..	1	..	..	20	1	35	1
Benin	57	63	43	..	3	1	..	..	8	1	27	21
Botswana	..	..	..	..	..	..	..	..	..	..	..	..
Burkina Faso	31	9	15	..	5	1	..	..	7	3	9	12
Burundi	46	12	44	..	..	..	..	..	24	4	8	10
Cameroon	58	72	44	3	..	..	..	..	26	4	9	19
Cape Verde	70	172	43	3	5	9	2	2	8	4	27	31
Central African Republic	52	..	34	1	1	..	..	..	13	8	13	18
Chad	44	6	30	..	2	2	..	..	12	7	9	16
Comoros	..	..	..	..	..	..	..	..	..	..	..	..
Congo, Dem. Rep. of	21	..	21	..	..	..	..	..	3	1	7	10
Congo, Rep. of	105	50	61	..	..	3	..	..	28	9	32	36
Côte d'Ivoire	134	810	83	11	6	3	..	..	46	5	41	42
Djibouti	..	..	..	..	..	..	..	..	..	..	..	..
Equatorial Guinea	..	..	..	..	..	..	..	..	..	..	..	..
Eritrea	..	..	..	..	..	..	..	..	..	..	..	..
Ethiopia	164	..	125	18	10	11	..	..	23	..	118	23
Gabon	29	..	1	1	1	2	2	2	8	1	8	12
Gambia, The	39	10	30	1	..	1	..	..	8	6	14	11
Ghana	233	667	216	4	8	4	..	..	44	8	146	35
Guinea	122	9	115	..	..	..	..	..	11	7	91	13
Guinea-Bissau	58	1	30	1	..	..	1	1	14	1	21	22
Kenya	188	248	184	4	..	..	..	..	72	12	66	38
Lesotho	24	128	9	4	5	1	2	2	3	4	8	9
Liberia	..	..	..	..	..	..	..	..	..	..	..	..
Madagascar	138	43	83	..	1	1	..	..	51	4	49	34
Malawi	91	57	44	1	..	1	..	..	34	13	25	19
Mali	87	32	59	1	1	8	..	..	13	5	36	33
Mauritania	56	10	35	..	2	6	..	..	21	6	14	15
Mauritius	..	..	..	..	..	..	..	..	..	..	..	..
Mozambique	579	217	579	..	..	..	..	..	75	2	389	113
Namibia	..	..	..	..	..	..	..	..	..	..	..	..
Niger	41	3	34	..	..	..	..	..	2	3	29	7
Nigeria	81	207	81	..	..	..	..	..	23	24	23	11
Rwanda	21	..	1	..	..	..	..	..	9	1	6	5
São Tomé and Príncipe	9	..	9	..	..	..	..	..	..	..	7	2
Senegal	71	326	51	4	1	1	..	..	7	11	18	35
Seychelles	..	..	..	..	..	..	..	..	..	..	..	..
Sierra Leone	9	..	8	..	..	..	..	..	..	..	3	6
Somalia	..	..	..	..	..	..	..	..	..	..	..	..
South Africa	11	2,209	6	1	..	2	..	..	..	..	5	6
Sudan	32	..	32	..	..	..	..	..	11	1	9	11
Swaziland	..	..	..	..	..	..	..	..	..	..	..	..
Tanzania	283	246	194	64	23	1	..	..	98	3	149	33
Togo	78	39	53	3	1	3	..	..	11	9	26	32
Uganda	108	198	82	..	..	10	..	..	20	5	44	39
Zambia	253	686	236	16	1	..	..	..	69	6	81	97
Zimbabwe	6	156	6	..	..	..	..	..	4	1	1	..
NORTH AFRICA	186	595	27	30	40	1	..	..	13	..	58	53
Algeria	..	..	..	..	..	..	..	..	..	..	..	..
Egypt, Arab Rep.	59	307	10	8	31	..	..	..	5	..	34	8
Libya	..	..	..	..	..	..	..	..	..	..	..	..
Morocco	64	259	17	16	6	1	..	..	4	..	10	28
Tunisia	63	29	..	6	3	..	..	..	4	..	14	17
ALL AFRICA	3,672	7,280	2,804	171	116	73	..	..	839	..	1,661	930

## 17-2. Divestiture methods employed (to end 2002)

	Sales of shares				Sale of assets				Other methods						
	Com- petitive sale	Direct Sale	Pre- emption rights	Public flotation	Liqui- dation	Compet- itive sale	direct sale	Debt/ Equity swaps	Leases	Joint ventures	Mgmt./ employee buyouts	Mgmt. con- tracts	Trustees	Restit- ution	Other
SUB-SAHARAN AFRICA	931	82	176	100	628	634	39	11	130	42	81	57	20	48	121
excluding South Africa	925	82	176	100	628	634	39	11	130	42	81	57	20	48	121
excl. S. Africa & Nigeria	920	82	176	100	628	634	39	11	130	42	81	57	20	48	121
Angola	..	..	..	..	..	56	..	..	..	..	..	..	..	..	..
Benin	1	2	..	..	22	12	3	..	2	..	..	2	..	1	4
Botswana	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Burkina Faso	8	3	..	..	2	..	..	..	..	..	..	1	1	..	4
Burundi	12	3	..	..	13	7	..	..	..	..	1	10	..	..	..
Cameroon	20	..	..	..	17	..	..	..	..	..	..	..	..	..	9
Cape Verde	20	2	5	..	11	1	1	..	..	7	6	1	1	..	6
Central African Republic	..	..	..	..	26	..	..	..	1	1	..	1	..	..	7
Chad	13	2	..	..	11	..	..	..	..	..	..	6	..	..	4
Comoros	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Congo, Dem. Rep. of	1	..	..	..	15	..	..	..	..	..	..	5	..	..	..
Congo, Rep. of	1	..	..	..	53	..	..	..	..	..	..	2	..	..	8
Côte d'Ivoire	15	2	23	22	2	23	8	..	3	1	..	..	..	..	4
Djibouti	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Equatorial Guinea	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Eritrea	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Ethiopia	..	..	..	..	..	118	..	..	..	..	45	..	..	..	..
Gabon	..	..	..	..	3	..	..	..	..	..	..	1	..	..	6
Gambia, The	13	7	..	..	3	1	..	..	5	..	1	..	..	..	1
Ghana	8	11	19	13	56	76	12	2	5	13	..	1	..	12	5
Guinea	41	1	..	..	67	1	..	..	3	..	..	2	..	..	1
Guinea-Bissau	8	2	..	..	9	2	..	..	2	1	..	7	..	..	..
Kenya	13	..	96	16	36	17	4	1	..	..	1	1	..	..	3
Lesotho	6	2	..	..	7	1	..	..	1	..	..	1	..	..	3
Liberia	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Madagascar	6	14	..	..	29	16	6	..	1	1	..	3	..	7	3
Malawi	22	5	..	2	..	13	..	..	..	..	..	..	3	..	1
Mali	14	1	..	..	31	10	..	..	1	..	..	1	3	..	13
Mauritania	25	..	..	..	17	3	..	..	..	..	..	1	3	..	7
Mauritius	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Mozambique	509	..	..	..	..	22	..	..	37	10	..	1	..	..	..
Namibia	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Niger	13	..	..	..	17	..	..	..	..	..	..	2	..	..	3
Nigeria	5	5	..	37	2	29	..	..	..	..	1	..	2	..	..
Rwanda	..	..	..	..	2	..	..	..	..	..	..	..	..	..	3
São Tomé and Príncipe	..	1	..	..	6	..	..	..	..	..	1	1	..	..	..
Senegal	25	1	1	1	23	1	..	1	3	1	..	1	..	..	2
Seychelles	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Sierra Leone	..	..	..	..	1	..	..	..	..	..	..	..	..	..	..
Somalia	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
South Africa	6	..	..	..	..	1	..	..	..	..	..	..	..	..	..
Sudan	7	..	..	..	..	15	..	5	1	..	..	..	..	..	4
Swaziland	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Tanzania	61	4	13	1	84	70	3	1	25	3	6	3	2	2	5
Togo	8	7	..	..	20	13	1	..	6	..	..	3	..	..	2
Uganda	13	..	5	1	21	23	..	1	1	3	2	..	5	10	12
Zambia	35	6	14	4	22	103	1	..	33	1	17	..	..	16	1
Zimbabwe	2	1	..	3	..	..	..	..	..	..	..	..	..	..	..
NORTH AFRICA	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Algeria	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Egypt, Arab. Rep.	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Libya	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Morocco	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Tunisia	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
ALL AFRICA	931	82	176	100	628	634	39	11	130	42	81	57	20	48	121

### 17-3. Progress in privatization: ownership and control changes\*

	<i>Transfer of majority owner- ship to private shareholders</i>	<i>Government retention of majority ownership</i>	<i>Government retention of minority interest</i>	<i>Sales of minority government interest</i>	<i>Total share transactions</i>	<i>Total asset sales and liquidation</i>	<i>Other transactions</i>	<i>Total trans- actions</i>
SUB-SAHARAN AFRICA	2,300	211	381	387	1,289	1,301	510	3,486
excluding South Africa	2,297	209	381	387	1,283	1,300	510	3,475
excl. S. Africa & Nigeria	2,242	208	381	387	1,236	1,269	510	3,394
Angola	57	..	1	..	..	56	..	57
Benin	42	3	2	1	3	37	9	57
Botswana	..	..	..	..	..	..	..	..
Burkina Faso	11	..	11	2	11	2	6	31
Burundi	33	..	1	11	15	20	11	46
Cameroon	45	1	1	..	20	17	9	58
Cape Verde	33	2	20	14	27	13	21	70
Central African Republic	28	2	2	1	..	26	10	52
Chad	18	5	6	4	15	11	10	44
Comoros	..	..	..	..	..	..	..	..
Congo, Dem. Rep. of	16	5	..	..	1	15	5	21
Congo, Rep. of	60	1	1	..	1	53	10	105
Côte d'Ivoire	51	9	29	29	62	33	8	134
Djibouti	..	..	..	..	..	..	..	..
Equatorial Guinea	..	..	..	..	..	..	..	..
Eritrea	..	..	..	..	..	..	..	..
Ethiopia	10	..	..	154	..	118	45	164
Gabon	1	1	..	..	..	3	7	29
Gambia, The	16	5	..	6	20	4	7	39
Ghana	183	12	27	24	51	144	38	233
Guinea	107	9	18	..	42	68	6	122
Guinea-Bissau	22	8	1	..	10	11	10	58
Kenya	77	3	53	61	125	57	6	188
Lesotho	13	3	2	1	8	8	5	24
Liberia	..	..	..	..	..	..	..	..
Madagascar	81	4	17	..	20	51	15	138
Malawi	39	..	7	5	29	13	4	91
Mali	55	1	9	3	15	41	18	87
Mauritania	29	3	7	18	25	20	11	56
Mauritius	..	..	..	..	..	..	..	..
Mozambique	536	42	75	..	509	22	48	579
Namibia	..	..	..	..	..	..	..	..
Niger	29	2	3	2	13	17	5	41
Nigeria	55	1	8	23	47	31	3	81
Rwanda	..	..	..	..	..	2	3	21
São Tomé and Príncipe	8	1	..	..	1	6	2	9
Senegal	39	8	11	5	28	24	8	71
Seychelles	..	..	..	..	..	..	..	..
Sierra Leone	..	9	..	..	..	1	..	9
Somalia	..	..	..	..	..	..	..	..
South Africa	3	2	..	..	6	1	..	11
Sudan	31	1	3	..	7	15	10	32
Swaziland	..	..	..	..	..	..	..	..
Tanzania	235	29	35	3	79	157	47	283
Togo	39	8	1	9	15	34	11	78
Uganda	78	1	5	7	19	44	34	108
Zambia	215	30	21	4	59	126	68	253
Zimbabwe	5	..	4	..	6	..	..	6
NORTH AFRICA	..	..	..	..	..	..	..	..
Algeria	..	..	..	..	..	..	..	..
Egypt, Arab Rep.	..	..	..	..	..	..	..	..
Libya	..	..	..	..	..	..	..	..
Morocco	..	..	..	..	..	..	..	..
Tunisia	..	..	..	..	..	..	..	..
ALL AFRICA	..	..	..	..	..	..	..	..

\* Data reflected to end-2002.

## Technical notes

### Tables

**Table 17-1. Summary of privatization of public enterprises.** For purposes of monitoring and reporting on privatization activity, all reported transactions involving a sale of assets or shares (however small) or the formal yielding of management control (as through a management contract) are included in the World Bank's Africa Privatization Database. Hence, in the table, *privatization* is used generically to include:

- the sale or disposal of some or all of the assets of public enterprises
- the sale of government-owned shares in enterprises,
- the reduction in equity percentage held by a government through share dilutions or through transfer of enterprise assets to a new joint venture
- liquidations
- leases
- management contracts.

Sometimes, the process of privatizing an enterprise involves several consecutive transactions (for example, a sale of a block of shares to a core investor and a subsequent initial public offering). The table summarizes the data contained in the Africa Privatization Database, which originate from national privatization agencies and other sources. The data are frequently updated, and changes to previous entries occur as more information becomes available. There are a few instances where previously reported privatizations are removed from the database because a transaction has been nullified on account of non-fulfillment of contractual conditions on the part of one of the parties. For financial data, the term *sale value* is preferred since the use of the term *proceeds* might imply the value of amounts actually paid. In practice, some deals are structured so that new investors may acquire assets or shares on deferred terms. Also, it should be

noted that (a) in the cases of some subsidiary companies, the cash proceeds are not paid to government but instead go to the parent company; and (b) for official liquidations, the proceeds are paid to the liquidator who first applies them toward settling enterprise debts.

During the revision of the Africa Privatization Database, the data in the category "Other" from previous *ADI* versions were reallocated across the financial, manufacturing, and services sectors. Simultaneously, data in "Trade" were incorporated into "Industry." The improvement resulted in a lower total number of transactions, but the data quality is improved.

**Table 17-2. Divestiture methods employed (to end 2002).** The table shows the various privatization methods employed in each country. The methods employed could not be confirmed for all transactions. *Direct sales* refers to a transaction that was negotiated directly with one party and that was not the outcome of a competitive bidding process. However, in some cases a direct sale was concluded (on a non-competitive basis) as a result of a failure of an earlier competitive bidding process. *Preemptive right* refers to transactions whereby a government has sold shares to an existing private shareholder (or shareholders) who exercised preemptive rights to acquire those shares in accordance with specific provisions of the company's charter (Articles of Association). In some cases, the charter specified the amount to be paid per share or the formula for calculating that amount; in other cases, it has been the subject of negotiation. *Joint ventures* refer to the type of transaction whereby a government concluded a deal (usually with a foreign investor) involving the formation of a new company in which the government's equity contribution was in the form of the major assets or all assets of a public enterprise. The remaining shell company would then be maintained only as a book

company or would be liquidated; if it were liquidated, it would not be included as a liquidation since this would be double counting. Transactions labeled *Trustees* refer to privatizations achieved by transference of shares of a public enterprise to a trustee for onward sale—at a later date or over a period—to the public or to selected segments of the public. *Restitutions* are those transactions whereby a company has been handed back to a previous owner from whom the company had been expropriated. *Other sales* includes sundry methods, such as enterprises donated by governments to local communities, but principally comprises transactions where the method of privatization was not reported.

**Table 17-3. Progress in privatization: ownership and control changes (2002).** This table presents the inferred outcome of privatization transactions on the ownership and control of enterprises or their assets. Ownership changes are important in indicating the effect that privatization transactions may or may not have on the enterprises and in indicating the extent of

a government's willingness and/or ability to exit from equity participation in commercial activity. Although a government's influence is not necessarily restricted by its equity participation, it is generally assumed that once a government owns less than 50 percent of the voting shares of a company, that company is "private" and the private shareholders (except in the instance of exercise of golden share rights) have management control of the company. Ownership control is usually unaffected when government continues to be a majority shareholder or sells a minority interest. Concessions, leases, and management contracts are assumed not to have affected ownership rights but to have transferred management control to the private sector for a defined period. The table shows the number of reported transactions where governments have (a) fully sold wholly- or majority-owned enterprises, (b) sold shares and transferred ownership control but retained a minority equity interest, (c) sold shares but retained ownership control, (d) sold a proportion of a minority stake, and (e) conducted other transactions where management control has been ceded.

### Methodology used for regional aggregations and period averages in Chapter 17

<i>Table</i>	<i>Aggregations<sup>a</sup></i>		<i>Period averages<sup>b</sup></i>
	<i>(1)</i>	<i>(2)</i>	<i>(1)</i>
17-1	x		
17-2	x		
17-3	x		

Note: Regional aggregations are shown in the rows for Sub-Saharan Africa, North Africa, and All Africa. Period averages are shown in the last three columns. This table shows only the methodologies used in this chapter.

a. Regional aggregations: (1) simple total; (2) simple total of the first indicator divided by the simple total of the second indicator (same country coverage); (3) simple total of the gap-filled indicator; (4) simple total of the gap-filled main indicator divided by the simple total of the gap-filled secondary indicator; (5) simple total of the first gap-filled main indicator less the simple total of the second gap-filled main indicator, all divided by the simple total of the secondary indicator; (6) weighted total (by population); (7) median; (8) no aggregation; (9) simple arithmetic mean.

b. Period averages: (1) arithmetic mean (using the same series as shown in the table; i.e., ratio if the rest of the table is shown as ratio, level if the rest of the table is shown as level, growth rate if the rest is shown as growth rate); (2) least-squares growth rate (using main indicator); (3) least-squares growth rate (using main indicator in constant terms, with the rest of the table in current terms).