

**PUBLIC PARTICIPATION IN THE MALAWI PRIVATISATION  
PROGRAMME, 1996 - 2006**

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**A dissertation submitted to the Faculty of Commerce, The  
Malawi Polytechnic, University of Malawi, in partial fulfilment  
of the requirements for the degree of Masters of Business  
Administration.**

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## DECLARATION

I declare that this research report is my own independent work. It is being submitted in partial fulfilment of the requirements for the award of the degree MBA in the University of Malawi and it has not been submitted before for any degree or examination in any other University.

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## CERTIFICATE OF APPROVAL

We declare that this dissertation is from the student's own work and effort. Where she has used other sources of information, it has been acknowledged. This thesis is submitted with our approval.

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## **DEDICATION**

To my husband, Isaiah, for always being there to support and believe in me. To my Father, Mr, Moffat Banda, for cheering me through the path of life.

## **ACKNOWLEDGEMENTS**

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Above all, thanks be to God the Almighty for allowing me to complete this work. To him be the honour and the glory!

## ABSTRACT

Government's aim for the inception of the privatisation programme in Malawi in 1996 among others was the hope that the privatisation programme would have a catalyst effect in causing the public to participate in the economy. The implementation of the privatisation programme was considered to be a platform from which this would be achieved. This was the case as the country was coming from a historical background characterised of government ownership of economic resources, operation of State Owned Enterprises, and a very small private sector. The purpose of this study was to assess the extent of public participation in the privatisation programme in Malawi, from its inception in 1996 to 2006. The study also investigated the role of the programme in stock market development during the same period.

The study's main objective, therefore, was to ascertain the public's participation in the programme, this was particularly in the context of the expressed fears among the public that they were not participating in the programme as compared to the level of their foreign counterparts due to the particular challenges posed by the business environment. The study adopted a multi-method research approach comprising qualitative and quantitative approaches. This involved an extensive study of relevant literature, use of semi-structured in-depth interviews and respondent-administered questionnaires. The study also used the stratified and simple random techniques and purposive judgemental sampling technique. The study population was drawn from individuals working in the public, private and Non-Governmental Organisation Sectors.

The study finds that the Malawi privatisation programme had limited success in achieving the stated objective of increasing and expanding the public's participation in the economy through ownership of privatised enterprises. That is precisely due to its practical failures in sufficiently developing and capacitating an informed public about the programme. On the other hand the privatisation programme resulted in an increase in the number of listed companies, market liquidity and capitalisation of the stock market. To this end, the study's main recommendation for its greater success and effectiveness is for a review of the programme's implementation methodologies that reflects mechanisms that effectively address these performance gaps and the public's business capacity and behavioural challenges. At the core of this response is facilitating a broader socio-economic base of public participation in the privatisation programme.

<b>TABLE OF CONTENTS</b>	<b>PAGE</b>
<b>DECLARATION.....</b>	<b>ii</b>
<b>CERTIFICATE OF APPROVAL.....</b>	<b>iii</b>
<b>DEDICATION.....</b>	<b>iv</b>
<b>ACKNOWLEDGEMENTS.....</b>	<b>v</b>
<b>ABSTRACT.....</b>	<b>vi</b>
<b>LIST OF FIGURES.....</b>	<b>xi</b>
<b>LIST OF TABLES.....</b>	<b>xii</b>
<b>LIST OF ABBREVIATIONS AND ACRONYMS.....</b>	<b>xiii</b>
<b>CHAPTER ONE INTRODUCTION.....</b>	<b>1</b>
1.1 INTRODUCTION.....	1
1.2 BACKGROUND OF THE STUDY.....	1
1.2.1 Malawi Privatisation Programme.....	2
1.3 PROBLEM STATEMENT.....	4
1.4 RESEARCH QUESTIONS.....	5
1.5 RESEARCH OBJECTIVES.....	5
1.6 JUSTIFICATION FOR THE STUDY.....	6
1.7 SCOPE OF THE STUDY.....	7
1.8 LIMITATIONS OF THE STUDY.....	7
1.9 STUDY OUTLINE.....	7
<b>CHAPTER TWO LITERATURE REVIEW.....</b>	<b>9</b>
2.1 INTRODUCTION.....	9
2.2 UNDERSTANDING PRIVATISATION.....	9
2.2.1 Defining privatisation.....	9
2.2.2 Forms of privatisation.....	10
2.2.3 Objectives of privatisation programmes.....	11
2.2.4 Methods of privatisation that influence public participation.....	12
2.2.5 Benefits of privatisation.....	14
2.2.6 Some economic theories regarding privatisation.....	17
2.3 THE POLITICAL PHENOMENON OF PRIVATISATION.....	18
2.4 DEFINING PUBLIC PARTICIPATION.....	20
2.4.1 Definitions.....	20
2.4.2 Theories of Participation.....	22

2.4.3	Benefits of Public Participation.....	29
2.5	PRIVATISATION AND STOCK MARKET DEVELOPMENT .....	30
2.6	CONTEXTUAL ISSUES RELATING TO MALAWI'S PRIVATISATION PROGRAMME .....	32
2.6.1	The economic status in Malawi 1996-2006.....	32
2.6.2	Macro-economic Performance 1998 – 2006.....	32
2.6.3	Historical aspects leading to the privatisation programme in Malawi.....	34
2.7	CONCLUSION .....	38
	<b>CHAPTER THREE RESEARCH METHODOLOGY .....</b>	<b>39</b>
3.1	INTRODUCTION .....	39
3.2	RESEARCH APPROACH .....	39
3.3	STUDY POPULATION AND SAMPLING.....	40
3.3.1	Study Population.....	40
3.3.2	Research Sample and Sampling procedure.....	40
3.3.3	Stratified Random Technique and Simple Random Technique.....	41
3.3.4	Purposive Judgemental Sampling Technique.....	42
3.4	METHODS OF DATA COLLECTION .....	42
3.4.1	Respondent -Complete Questionnaire method	43
3.5	METHODS OF DATA ANALYSIS .....	47
3.6	RESEARCH ETHICAL CONSIDERATIONS .....	47
3.7	SOME RESEARCH LIMITATIONS EXPERIENCED.....	48
3.8	CONCLUSION .....	48
	<b>CHAPTER FOUR RESEARCH FINDINGS .....</b>	<b>50</b>
4.1	INTRODUCTION .....	50
4.2	DEMOGRAPHIC PROFILE OF SAMPLE POPULATION .....	50
4.2.1	Age.....	51
4.2.2	Gender.....	51
4.2.3	Education.....	52
4.2.4	Income.....	54
4.2.5	Financial Instrument Held	55
4.3	THE LEGISLATION FRAMEWORK OF THE PRIVATISATION PROGRAMME .....	58
4.3.1	Principles guiding implementation of the privatisation programme.....	58
4.4	OVERALL OWNERSHIP OF PRIVATISED ENTERPRISES .....	59
4.5	METHODS USED FOR PRIVATISING ENTERPRISES .....	61
4.6	PUBLIC PARTICIPATION IN THE PRIVATISATION PROGRAMME .....	62

4.6.1	Public’s awareness and understanding of privatisation and about the privatisation programme.....	62
4.6.2	Engagement of the public with the Privatisation Commission and aspects of the implementation of the privatisation programme.....	63
4.6.3	Extent of individuals acquisition of assets in privatised enterprises.....	65
4.7	THE PUBLIC’S SOURCES OF INFORMATION ON THE PRIVATISATION PROGRAMME .....	68
4.7.1	Relationship of public’s source of information and the actual ownership of assets through the privatisation programme.....	70
4.8	THE STOCK MARKET AND PRIVATISATION.....	73
4.9	THE PUBLIC AND STAKEHOLDER ASSESSMENT OF THE PRIVATISATION PROGRAMME.....	75
4.9.1	The Public.....	75
4.9.2	Stakeholder Organisations.....	77
4.10	CONCLUSION.....	80
	<b>CHAPTER FIVE DISCUSSION OF FINDINGS.....</b>	<b>82</b>
5.1	INTRODUCTION .....	82
5.2.	PUBLIC RESPONSE PATTERNS IN THE PRIVATISATION PROGRAMME .....	82
5.2.1	Overall Ownership.....	82
5.2.2	Individual participation.....	84
5.3	FACILITATING ENVIRONMENT CONSISTING OF EXTERNAL FACTORS IMPACTING ON THE PUBLIC’S PARTICIPATION .....	85
5.3.1	External factors impacting on public participation in privatisation.....	85
5.4	INTERNAL FACTORS IMPACTING ON PUBLIC PARTICIPATION IN PRIVATISATION CONSISTING OF INDIVIDUAL LEVEL FACTORS .....	96
5.4.1	Gender.....	97
5.4.2	Education Level.....	97
5.4.3	Financial Instrument.....	98
5.5	REASONS FOR LIMITED OR NON-OWNERSHIP OF ASSETS THROUGH THE PROGRAMME .....	98
5.6	CONCLUSION .....	100
	<b>CHAPTER SIX CONCLUSION AND RECOMMENDATIONS.....</b>	<b>101</b>
6.1	INTRODUCTION .....	101
6.2	SUMMARY OF THE STUDY FRAMEWORK.....	101
6.3	SUMMARY OF THE MAIN STUDY FINDINGS.....	102
6.4	RECOMMENDATIONS .....	105
6.5	AREAS FOR FURTHER RESEARCH .....	109
6.6	CONCLUSION .....	109

<b>REFERENCES</b> .....	<b>112</b>
<b>APPENDICES</b> .....	<b>120</b>
<b>APPENDIX I: QUESTIONNAIRE</b> .....	120
<b>APPENDIX II: COVER LETTER FOR QUESTIONNAIRE</b> .....	124
<b>APPENDIX III: CROSS TABULATION AND CHI-SQUARE TEST RESULTS OF THE RELATIONSHIP OF PUBLIC'S SOCIOECONOMIC CHARACTERISTICS AND ASPECTS OF PARTICIPATION IN THE PRIVATISATION PROGRAMME</b> .....	125
<b>APPENDIX IV: CROSS TABULATION AND CHI-SQUARE TEST RESULTS OF SOURCES OF INFORMATION AS THEY RELATE TO ASPECTS OF PARTICIPATION IN THE PRIVATISATION PROGRAMME</b> .....	126

## LIST OF FIGURES

	<b>Page</b>
Figure 4.1: Bar Graph showing distribution of respondents by Age Group in years .....	51
Figure 4.2: Bar Graph showing distribution of Financial Instruments held by Respondents .....	55
Figure 4.3: Pie Chart for Privatised Enterprises by type of majority shareholding.....	59
Figure 4.4: Bar Graph showing privatisation methods used for privatising some enterprises.....	61
Figure 4.5: Bar Graph showing respondents' level of understanding of the meaning of privatisation .....	63
Figure 4.6: Pie Chart showing reasons for non-participation.....	68
Figure 4.7: Pie Chart showing public's source of information on privatisation.....	69
Figure 4.8: Bar Graph showing sources of information on government's intervention to encourage participation .....	70
Figure 4.9: Linear Graph showing shareholding of individuals as compared to total shareholding of some listed companies.....	74

## LIST OF TABLES

	<b>Page</b>
Table 4.:1 Cross Tabulation of Gender and owning of assets through the programme.....	52
Table 4.2: Cross Tabulation of Education Level and owning of assets through the programme...	53
Table 4.3: Cross Tabulation of Education Level and aspects of participation .....	54
Table 4.4: Distribution of Respondents by their Annual Income (Malawi Kwacha) .....	55
Table 4.5: Cross Tabulation of holding of Financial Instrument and owning of assets.....	56
Table 4.6: Checkbox on the relationship of public’s socioeconomic characteristics and aspects of participation in the privatisation programme (using Cross Tabulation and Chi-Square Test Results).....	57
Table 4.7: Selection of Privatised Enterprises and type of ownership.....	60
Table 4.8: Cross Tabulation of knowledge of the Commission’s work and owning assets.....	64
Table 4.9: Cross Tabulation of sources of information and ownership of assets .....	71
Table 4.10: Checkbox on the relationship of sources of information and aspects of participation in privatisation programme (using Cross Tabulation and Chi-Square Test Results) .....	72
Table 4.11: Listed companies on the Malawi Stock Exchange .....	73

## **LIST OF ABBREVIATIONS AND ACRONYMS**

ADMARC	Agricultural Development and Marketing Corporation
CONGOMA	Council for Non- Governmental Organisations in Malawi
FSA	Financial Services Authority
GDP	Gross Domestic Product
GOM	Government of Malawi
GSCE	General School Certificate of Education
IMF	International Monetary Fund
IPO	Initial Public Offer
MBO	Management Buy Out
MCCCI	Malawi Confederation of Chambers of Commerce and Industry
MIPA	Malawi Investment Promotion Agency
MSCE	Malawi School Certificate of Education
MSE	Malawi Stock Exchange
NGOs	Non- Government Organisations
NICO	National Insurance Company
NITL	National Investment Trust Limited
NORAD	Norwegian Agency for Development Co-operation
SAPS	Structural Adjustment Programmes
SOE	State Owned Enterprise
SPSS	Statistical Package for Social Scientists
TFL	Trust Finance Limited
UK	United Kingdom
US	United States
USA	United States of America
USD	United States Dollar



# CHAPTER ONE

## INTRODUCTION

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### 1.1 INTRODUCTION

This study aims at assessing the extent of participation by the Malawian public in the country's privatisation programme. This is in line with government's objective of enabling the public to invest in enterprises privatised through the programme. The study covers the first ten years of the programme's implementation, from 1996 to 2006. This chapter introduces the study's focus; Section 1.2 provides the background of the study by looking at the concept and context of privatisation and its implementation in the world, followed by a statement relating to Malawi's privatisation. Section 1.3 provides the problem statement and the research questions are in Section 1.4. Section 1.5 covers the research objectives, and Section 1.6 provides the justification of the study. Section 1.7 provides the scope of the study, Section 1.8 the study's limitations and Section 1.9 concludes with the dissertation outline.

### 1.2 BACKGROUND OF THE STUDY

The last two decades of the twentieth century have seen governments of the world increasingly adopting a paradigm shift in policy and mechanisms for directing national development. This has involved the deliberate contraction of the typically large public sector in favour of instituted reforms of public enterprises, expansion of the private sector and deregulation of the economy with an increased competitive environment for the business sector (Collyer, 2003). The concept *privatisation* has been commonly used to connote all these economic processes. Privatisation has been extensively adopted by different governments in the context of the belief that this would improve national economic performance.

Privatisation originated in the countries of Chile, United Kingdom (UK) and New Zealand and rapidly increased globally (Heracleous, 1999). Chile, a front runner in privatisation, embarked upon a systematic privatisation programme during the

General Augusto Pinochet's military regime in 1974. In United Kingdom, privatisation can be traced back to the Conservative Party's programme in 1979, under the leadership of Mrs Thatcher, which involved the selling of competitive government-owned industries that included British Aerospace, Britoil and Cable and Wireless (Bortolotti & Pinotti, 2003).

Privatisation as implemented in countries across the globe has several objectives some of which are to achieve greater efficiency, broadening wealth and achieving widespread private ownership in society, raising extra reserves for the government and development of capital markets (Cavaliere, & Scrabrosetti, 2006). It is believed that through privatisation, countries are able to achieve greater national development as the economies become more efficient. On the one hand, privatisation results in a lower government budgetary burden and increased government revenue from the sale of state assets, thereby allowing the resultant revenue level to be channelled to other necessary expenditures of the fiscal budget. On the other hand, privatisation entails transfer of assets into private hands whose business interests are governed by generating profits through efficient operations. Beyond these attributes, privatisation is also governed by a re-distributional policy objective of effecting greater access by a wider section of the public to ownership of such economic assets.

### **1.2.1 Malawi Privatisation Programme**

As early as 1984 Malawi was implementing activities having elements of privatisation under the first six structural adjustment loans from the World Bank such as asset swaps and divestiture activity in form of equity sales and assets of some SOEs (Kwengwere, 2007). However, it was not until 1996, after Malawi had become a multi-party democratic state (in 1994) that the Government launched its privatisation programme, with the creation of the Privatisation Commission under the Public Enterprises (Privatisation) Act (Act No. 7 of 1996 (referred to as the Privatisation Act henceforth). The programme was expected to involve some 150 State Owned Enterprises (SOEs) and their subsidiaries with the objective of allowing the private sector to own or control previously State Owned Enterprises (SOEs). The Privatisation Commission was given the responsibility to manage this process,

through its specific responsibilities and duties that included planning, management, implementation, and control of the privatisation of public enterprises in Malawi.

Through the Privatisation Programme, as specified in the Privatisation Act, the Malawi Government sought to achieve the following main objective aspects:

- (a) To foster increased efficiency in the economy;
- (b) To increase competition and reduce monopoly in the economy;
- (c) To promote participation by the Malawian public in enterprises; and
- (d) To raise revenue for the Government.

The Privatisation Commission was further tasked to come up with the needed modalities for the proper operation of the programme. To this end, the Privatisation Commission produced implementation policy guidelines for the programme that were then approved by Cabinet before they became operational.

The Commission had several responsibilities, for instance, in effecting sales of public enterprises to be privatised under the programme, the Commission's role was that of setting prequalification criteria for the selection of potential buyers, or investors. The Commission also evaluated offers from these buyers, in accordance with defined criteria that included:- the ability and commitment of buyers to develop the enterprise; track record of buyers; their expertise relevant to the type of enterprise on offer; and the price that they were willing to pay for the enterprise. The Commission had to ensure that it provided relevant documentation necessary for effecting privatisation of an enterprise, and to seek potential investors for the enterprises being privatised. Following a sale of an enterprise, the Commission had to furnish Cabinet with a pertinent report containing details about the enterprise, including its name, the method of sale and reasons why the method was considered to be most appropriate, and any other important information. Finally, the Commission was also responsible for monitoring the progress of the privatisation process in Malawi.

The Privatisation Programme has been implemented since 1996. Amongst its objectives for implementing the programme was the desire to see the public participating in the programme. Of interest to this study is whether indeed this

objective has been achieved. This objective is crucial in that it affects the Malawian public who essentially, are the owners of public enterprises that government is offloading into private hands through the programme.

Therefore the study aims at establishing the extent of Malawians public participation in the privatisation programme in line with government's policy objective of promoting the public's participation in economic activity through the programme. Furthermore since privatisation programmes across the globe have impacted on the development and performance of the Stock Market (Di Carluccio, Ferri, Frale & Ricchi, 2004), the study also examines the extent to which this is also the case for Malawi.

### **1.3 PROBLEM STATEMENT**

Studies have shown that where privatisation benefits and targets the public, it consequently leads to the broader growth of the private sector and therefore impacts on economic growth (Bennett, Estrin, Maw, & Urga, 2004). Privatisation programmes also deliberately put in place mechanisms for the public to participate, which leads to the development of capital markets (Vitkovic, 2003). Targeting the public creates a new group of stakeholders, who also impact on increasing productivity and consequently economic development (Afiania-Amanoh, 1998).

In the context of the above, the question remains as to how far circumstances on the ground allow the government, and the Malawi government in particular, to achieve a proper and desirable balance between the objective of greater economic efficiency and state revenue generation and that of achieving greater participation by the public in economic activity through ownership of assets in the privatised enterprises. The Privatisation Commission recorded the number of Malawians holding shares in the privatised enterprises as 599 as of 2003, with several buyouts having been effected (comprehensive information on Malawi Privatisation Commission and its operations can be found at <http://www.pcmalawi.org>). Although this may attest to the fact that Malawians were in fact participating in the programme, the figure does not show how far this reflects the level of participation as may have been intended in the objective of privatisation. This further raises questions about the nature of the facilitating and

constraining conditions that determined which type of the public participated or did not participate, as well as the form and level of their participation.

Studies have identified various conditions that explain why individuals participate in public programmes as citizens, which include key demographic characteristics, personality attributes, life contentment, financial situation, and media use (Naewon, & Nojin, 2003). Others have also identified institutional affiliations by individuals as a stimulant for people's participation (Bratton, 1999). This context helps in providing a framework for raising specific research questions regarding the response-based performance of the Malawi privatisation programme.

#### **1.4 RESEARCH QUESTIONS**

This study is therefore guided by the following research questions:

- a) What are the forms and levels of investment by the public in privatised enterprises?
- b) How does the privatisation policy instrument and its implementation facilitate public participation in the privatisation programme?
- c) What have been the factors that have influenced the public's participation and non-participation in the privatisation programme?
- d) How did the privatisation programme impact the Stock Market in Malawi?

#### **1.5 RESEARCH OBJECTIVES**

The general objective of the study is to assess the level and manner of the Malawian public's participation in the privatisation programme, and the context that determined such participation.

The specific objectives are to:

- Analyse the form and level of investment by the public in privatised enterprises and in areas facilitated by privatisation.

- Examine how the privatisation policy instrument and its implementation specifically facilitate public participation in the privatisation programme.
- Find out the factors that have influenced the public's decisions relating to their participation in the privatisation process.
- Document the effects of the privatisation programme on the Malawi Stock Exchange (MSE).

## **1.6 JUSTIFICATION FOR THE STUDY**

Privatisation was one component of the economic reforms that the Malawi government adopted to respond to, among others, the increased adoption of capitalism across the globe which culminated into pressure upon the government to consider reforming its state-dominated developmental approach. This was in addition to the problem of continued underperformance of the economy during this time. The advantage of the reforms through the privatisation aspect lay in the belief that it would bring about more efficient operation of the economy, increased government revenue and better redistribution of national wealth.

Privatisation is globally a very popular research field. In the case of Malawi, various research studies have also been carried out on issues ranging from the role of privatisation programme on entrepreneurship (Mawindo, 2002) to the aspect of revenue position of the Malawi privatisation programme (Mwala, 2006). However, such studies have apparently left the gap of considering the issue of the extent of public participation in the privatisation programme, which this study further explores. Specifically, the study seeks to assess the Malawian public participation in the privatisation programme, along with such aspects as level, form and determinants. Therefore, the findings of the study should be of interest to all stakeholders in the privatisation programme. First, it serves as an addition to existing privatisation studies, by its defined focus within the context of Malawi's specific social, political, and economic environment. Secondly, it serves to provide a basis for the Malawi government to consider a self-assessment of the programme's implementation for purposes of more effective achievement of the public participation objective.

## **1.7 SCOPE OF THE STUDY**

The research was undertaken in Blantyre, because it is Malawi's commercial city and comprises over 50% of the privatised enterprises (Government of Malawi (GOM), Privatisation Commission, 2007). Therefore the study considered Blantyre district adequate for representing the otherwise wider geographical scope for application of the phenomenon. The population of the study was drawn from individuals working in public, private and Non-Governmental Sector organisations. The study adopted both qualitative and quantitative research approaches. Data was collected using both qualitative and quantitative methods.

## **1.8 LIMITATIONS OF THE STUDY**

The limitations that may be encountered in the research are the timely collection of data from respondents, level of willingness by some respondents to provide accurate information and that the study area is located in Blantyre only. The assumption made in coming up with the study was that all respondents would be willing to provide timely and accurate information. Furthermore that the study area chosen was a representation of Malawi's situation as it relates to public participation in privatisation, making it possible to draw valid inferences.

## **1.9 STUDY OUTLINE**

The study is organised in six chapters as follows:

- Chapter One introduces the study by covering such aspects as the background to the topic of study, statement of the problem, research questions, justification for the study, research objectives and outline of the study.
- Chapter Two presents the literature review which examines the conceptual, theoretical and research-based ideas and issues, including the Malawian historical context in which the programme was implemented, in an attempt to establish the relevant knowledge context of privatisation for the study.

- Chapter Three presents the research methodology used for the study, which covers the research design, study population, sample and sampling procedures, methods of data collection and analysis, research limitations and ethical considerations.
- Chapter Four presents the research findings. The presentation is organised on the basis of sub-themes that reflect the main component thrust areas of the research enquiry consistent with the research questions and objectives of the study. Covering the legislative framework in which the programme was implemented, overall ownership of enterprises privatised through the programme, methods used by the privatisation commission for privatising enterprises, levels of public participation in the programme, sources of information on the privatisation programme, the stock market and privatisation, followed by public and stakeholder assessment of the programme.
- Chapter Five presents the discussion of the research findings, this covers an interpretation of what the research found in Chapter Four covering areas on public response patterns, the external and internal factors that affected the public participation and the reasons for participation occurring as presented in the preceding chapter.
- Chapter Six presents the study's conclusion. The main issues under this chapter are the summary of the study findings, areas for further study and recommendations.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

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#### **2.1 INTRODUCTION**

This chapter provides the context of the study by examining some of the available literature relevant to the conceptual, theoretical and practical aspects and context of privatisation and the nature of participation in its processes. The presentation is organised into five main sections. Section 2.2 defines the concept of privatisation, both in theoretical context and as a policy instrument. While Section 2.3 looks at privatisation as a political phenomenon, Section 2.4 provides an explanation of the concept of public participation. Section 2.5 examines privatisation's role in developing stock markets. Section 2.6 looks at the key issues in Malawi that provide the contextual background to its privatisation programme and the chapter concludes with Section 2.7.

#### **2.2 UNDERSTANDING PRIVATISATION**

##### **2.2.1 Defining privatisation**

The concept of Privatisation has a myriad of definitions. Overall, privatisation has involved reducing the role of the state in the economy (Ramadham, 1993, as cited in Forster & Mouly, 2006) and turning economies around largely from state-domination to market orientation (Nwankwo & Richards, 2001). Domberger's and Piggott's (1986) study as cited in Collyer, 2003 explains that privatisation has commonly been defined as an economic intervention by government aimed at transferring assets or activities from the public to the private sector. Activities that have characterised privatisation include deregulation, corporatisation, management contracts, sale of public assets and private provision of public services (Jackson & Price, 1994 as cited in Forster & Mouly, 2006).

Other disciplinary orientations have influenced development of alternative definitions of privatisation. For instance, Feigenbaum's and Henig's, (1994); Gormley's, (1994); Chamberlin's and Jackson's, (1987) studies as cited in Collyer, 2003 define

privatisation as a political phenomenon as to defining it as an economic, administrative and fiscal intervention. Another aspect of privatisation, which has received very little attention by theorists in privatisation, is looking at privatisation as an ownership issue. In this context “privatisation entails the sale or transfer of ownership rights from the state sector to private actors. It affects the allocation of resources (this is often forgotten) as well as the distribution of wealth and income” (Vitkovic, 2003, p. 294).

Privatisation, therefore, is a very diverse concept in its application, and cannot be claimed to exclusively mean any one thing. Indeed, privatisation has aspects of being economic, administrative and fiscal, being political and also touching on issues of ownership structure and others.

### **2.2.2 Forms of privatisation**

Researchers distinguish between different forms of implementing privatisation. Privatisation is either an intermediate or immediate process. Intermediate privatisation involves the restructuring of state companies into joint-stock or limited liability companies that remain under state control. Immediate privatisation involves rapid transfer of state property to private hands, and is usually accompanied by price liberalisation and rapid changes in commercial legislation (Mitrofanskaya, 1999).

Within the above framework, privatisation can take several forms. First, it can be complete or partial, in terms of the amount of equity sold to private investors. Secondly, it can be full or selective, in terms of which parts of the state enterprise are sold. Thirdly, it can involve liberalisation, where a competitive climate and market forces are promoted in place of previous monopolistic or oligopolistic climate. Lastly, it may involve transfer of ownership or may not involve transfer where the objective could be achieved through such methods as leasing of state facilities for a fee, bringing in external management, or contracting out the provision of a particular service (Heracleous, 1999).

In Malawi the implementation of the Privatisation Programme has taken a more intermediate form. This is the case as government has continued to have interest in

most of the privatised enterprises such as those in the financial sector. In other cases government has preferred to use concession method when privatising enterprises in the transportation, tourism and accommodation sectors, for example Central East African Railways (CEAR) responsible for railway transportation, Sunbird Hotels and Protea Hotel Limited responsible for operating some of the hotels which were previously run by government.

Although government has taken such an approach in implementing the programme, it has however gone ahead to provide for a competitive business environment where market forces are allowed to operate.

### **2.2.3 Objectives of privatisation programmes**

Various country experiences provide a picture about the objectives for privatisation. For instance, in Mauritius the privatisation plan, is termed 'The New Synergy'. The objective of Mauritius' privatisation programme is to ensure that there is a large and a dynamic private sector. Mauritius' privatisation programme aims at having a vibrant private sector operating in a competitive market environment having the necessary regulatory and legal framework. Within its implementation framework is the purpose of ensuring that there is democratic ownership of enterprise (Keetharuth, 2007). In the case of Poland the privatisation programme, is effected through National Investment Funds (NIFs). The programme's aim is that all polish adult citizens participate in the programme through ownership of state property, while ensuring that privatised enterprises operate effectively (Szyber, 2003).

It is worth noting from the two country examples that the objective of privatisation incorporates the aspect of achieving wider participation by the public in enterprises through the programme, as is the case with Malawi's privatisation programme. Government's desire and expectation is that through privatisation more local people would participate in the economy, be it through owning and running or at least just investing in privatised enterprises. However for this condition to occur one important factor to consider would be the methods used by government for privatising public enterprises.

#### **2.2.4 Methods of privatisation that influence public participation**

Governments across the world have used different methods of privatising State Owned Enterprises (SOEs). In Africa, statistical evidence shows that by 1996, sixteen (16) methods of privatising enterprises had been used by Africa, with thirty-two (32) percent of these methods involving sale by shares by competitive tender (Makonnen, 1999). The level of public participation in privatisation programmes can to a great extent be determined by the methods used for privatising public enterprises. However despite the objectives by most countries in Africa to increase participation in privatisation, most of the methods used to privatise public enterprises have not always been in line with this objective. Governments' priority has sometimes been more on the revenue side than public participation. However, there are several methods that can be used for privatising enterprises while making sure that the public participate below is a summary of some of these methods :-

##### ***a) Management or Employee Buy Out***

Privatisation can occur where the shares or assets of a SOE are acquired by management or employees. This can be through a competitive or non-competitive process. The management or employee buyout scheme offers an opportunity to local investors who tend to benefit from such an arrangement. However, there are very few countries which emphasise on this method of privatisation in Africa these include Burkina Faso, Madagascar, Nigeria and Zambia (Makonnen, 1999). Malawi has also used this type of method for privatising some of its enterprises for example in the case of Lilongwe Cold Storage Company Limited (LLCS) which was sold to its old management. However the challenge with this method is that in some cases the management or employees wanting to buy the business entity provide unrealistic business plans which rely too heavily on government or bank support. Furthermore, often inadequate allowance is made for the much needed investment and working capital by the privatisation programme implementing body.

***b) Employee Share Participation***

This method of privatisation is where sale of shares are negotiated to private investors or alongside a public flotation, where a small block of shares are reserved for employees. This method tends to be appropriate for medium to large companies as the management or employee buyout is commonly feasible for smaller firms. In Benin, for instance, such a method of privatisation was mandated by the 1992 privatisation law. The law created a framework for the creation in every denationalised firm of a savings fund to allow employees to purchase shares in companies. Twenty (20) percent of the value of each privatised enterprise at the time of its sale was set aside pending the establishment of a stock ownership programme for employees who would be able to acquire shares on concessionary credit terms. However, the programme has yet to be implemented (Makonnen, 1999).

***c) Directed Group Ownership***

This privatisation method allows people having same expertise and interest to participate in privatisation. The group is able to access equity at discounted prices or deferred terms (Makonnen, 1999).

***d) Public Flotation***

This method is sometimes referred to as Initial Public Offer (IPO) or simply a public offering, this is where shares are offered to the public through the stock market. When using this type of method for privatising enterprises sometimes, eligibility criteria are set in order to broaden ownership or to avoid a concentration of ownership (Makonnen, 1999). In Malawi this method has also been used for example in the cases of NBS Bank, National Bank of Malawi, and Standard Bank just to mention a few.

***e) Voucher Scheme***

This method of privatising SOEs has mostly been used in states that previously embraced communism. This is a method of privatisation where shares are given to all citizens for free or in other cases at a minimal price.

Focusing privatisation programmes on the objective that makes sure that the public benefit and in turn become players in the economy brings about much debate as regards to the extent to which efficiency can be achieved in the operations of enterprises and the economy at large. For example some argue that where privatisation tends to result in large sections of the population owning shares the result will be the dispersion of shares making corporate governance in such enterprises challenging (Sztzyber, 2003). In the case of Poland, citizen's were given Participation Certificates which were managed by National Investment Funds which acted as intermediaries between SOEs being privatised and the citizens who acquire those companies. Other arguments have been that targetting large sections of the public will in the end lead back to concentration of shares by the rich in society and even make takeover of companies easier (Sztzyber, 2003). This is so, as the public who are not interested in owning assets through such interventions will easily sell off their interest in privatised enterprises at nominal prices and therefore such assets may end up in the hands of the few in society. In Malawi government introduced the Special Fund with the purpose of making it affordable for the public to own assets through the programme (although the scale of this intervention was limited). Through this fund individuals were able to access shares and assets at subsidised prices with the difference considered to be a loan. However in the case of share ownership individuals were obligated not to sell off their shares before a two year period to prevent such tendencies of people selling off their stakes in privatised enterprises. Ensuring that the public benefit through privatisation programmes is essential as this legitimises the whole process. In addition governments are obligated to make sure this is the case as the transferring of assets from the public to the private sector is done on behalf of the people. Therefore among other objectives of privatisation programmes government's through the privatisation programmes should provide mechanisms for higher levels of local public participation in business.

### **2.2.5 Benefits of privatisation**

The reasons for the paradigm shift to privatisation by many of the states are multi-dimensional. Margaret Thatcher's government and Ronald Reagan's used privatisation for preventing monopoly powers of public sector trade unions in the UK,

and for limiting government spending in the United States of America (USA) (Hartley & Parker, 1991; Donahue, 1989, as cited in Nwankwo & Richards, 2001). Nwankwo and Richards (2001) portray how privatisation has been used to achieve a whole range of things:- in Eastern Europe, the objective of privatisation was that of fighting inflation and cementing political support for the break with the communist system; in Sub-Saharan Africa, privatisation was seen as an important source of budget supplement, where proceeds from privatisation would be used to ease the pressure on expenditure cuts on basic sectors; In addition, privatisation was a condition in line with International Monetary Fund (IMF), Structural Adjustment Programme (SAP) or Enhanced Structured Adjustment Facility (ESAF) programmes for developing countries, where implementation of privatisation programmes resulted in debt relief or debt payment rescheduling. Privatisation was also increasingly adopted as it was felt that government cannot do business. Unlike the Keynesian theory, which emphasised on the social and economic role of the state with government intervention being seen as a solution to market failures. There was a shift to the neo-liberalism ideology, with the market being a means of achieving efficient allocation of resources.

In the case of Britain's nationalisation programme, for instance, the public sector had failed to establish an adequate framework that would ensure efficiency. This was the case as the incentives for serving customer interests and controlling costs did not exist (Jackson & Price, 1994). The poor performance of SOEs was due to "lack of clear objectives, ambiguous incentives, poor financial information and inadequate cost control systems, all coupled with political interference to produce" (Jackson & Price, 1994, p. 2).

Therefore the reason for governments' failure in many countries was because the public sector failed to deliver public services efficiently and effectively. Kornai's (1980) study as cited in Mohan, 2007 argues that SOEs had no financial controls, while their non- performance was also enhanced due to the lack of fear of bankruptcy as managers expected to be bailed out, as was the practise with public funds. In addition SOEs also performed poorly because they had agency problems. This was the case due to the expectations that these enterprises pursue a variety of objectives, which were not limited to profit maximisation. The enterprises did have different

constituents to which they were answerable, such as legislators, civil servants and ministers (Mohan, 2007).

From such a background of poor performance of SOEs, privatisation was therefore, seen as a means through which the failures of SOEs would be addressed. It was believed that through privatisation there would be competition which in turn would lead to lower prices for consumers, and quality improvements on the products produced. Furthermore, since forces of demand and supply would be operational, prices of goods would now be more realistically determined.

Several studies show that privatisation provides several advantages. Megginson's, Nash's, and Randenborgh's, (1994) study as cited in Heracleous, 1999 reports that an extensive study of the outcomes of sixty-one (61) privatised enterprises in thirty-two (32) industries in eighteen (18) countries found that the profitability, sales, operating efficiency and capital investment of privatised enterprises increased significantly after privatisation, and that there was even a slight increase in employment. A recent report by the United States (US) General Accounting Office on the privatisation experiences of six (6) US states indicates that the reported benefits of such programmes (mostly contracting out functions previously carried out by the state) included substantial cost savings, higher revenues and improved service to citizens (US General Accounting Office, 1997 as cited in Heracleous, 1999).

Although privatisation has shown to have a positive impact on the operations of different entities, it however continues to be a very contentious field, with some for and others against what privatisation stands for. Some have pointed out that in fact privatisation does have adverse effects. For instance, Prizzia (2005), points out some of the negative repercussions of privatisation that have been observed in several studies. One is a study carried out in Brazil, which observed that privatisation converts public monopolies into public oligopolies leading to limited impact (Prizzia, 2005). The other is the world-wide study of privatisation undertaken by the World Bank that revealed the limited benefits of privatisation by concluding that although a government relieves itself of certain tasks as a result of privatisation it immediately adopts new ones (Prizzia, 2005). This occurs in circumstances where ownership of privatised enterprises has become foreign-based resulting in the new owners

abandoning high risk operations of their business, which may have a negative impact on the poor in the community or create demand for new government services (Prizzia, 2005). Because of the profit maximisation aspect of business, these foreign buyers only purchase low-risk and most financially stable SOEs, forcing weaker financially unstable SOEs to collapse or be rescued through subsidies from the national confers or international agencies (Prizzia, 2005).

### **2.2.6 Some economic theories regarding privatisation**

Privatisation has increasingly been implemented across governments in the underlying belief that private ownership of enterprises is more efficient than public ownership. The central economic argument being that it is only when market forces are allowed to operate that the economy can experience efficient allocation of resources. This is because theorists believe that the competitive forces in operation bring about incentives for profit maximisation, cost minimisation and effective managerial supervision among others.

The term efficiency that forms the basis for the economists' argument for the superiority of private enterprises over public enterprises is explained by economists as a condition where "it is not possible to re-arrange the firms, the flows, the production decision, the consumption decisions or anything else in the economy, and make someone better off without making someone else worse off" (Jackson & Price, 1994, p. 7).

This type of efficiency has mostly been referred to as Pareto Efficiency. There are two dimensions of efficiency, the productive efficiency and allocative efficiency. Productive efficiency is a scenario where it is impossible to re-arrange the production inputs and obtain more output of one good or service without reducing the output of another. At this point, input mix is therefore efficient (Bouin, 1992). On the demand side is the need for firms to produce the level, mix and quality of output at a price where it is not possible to re-arrange the outputs of an economy and make one consumer better off without making another worse off, this is what is referred to as allocative efficiency (Bouin, 1992). However empirical studies on the impact of privatisation on efficiency do not conclusively show that privatisation in fact brings about efficiency. Kay's and Thompson's (1986) study as cited in Bouin, 1992 argues

that there is need for there to be a competitive environment for efficiency to bring about cost minimisation or the setting of prices at marginal cost as argued in the discourse of private enterprise rationale and the motive of profit maximisation.

Other theorists have come up with explanations as to why private ownership could be superior to public ownership. Theorists show that ownership rights, incentives, and economic behaviour impact each other (Furubotn & Pejovich, 1972). The Property Rights School argues that human beings are very individualistic. Based on this nature, they argue that, the more individuals benefit from tending their property the better it will be tended, and that the more attenuated and diluted their property rights are, the less motivated individuals will be to use property under their control efficiently. These theorists' argument is premised on the fact that private ownership concentrates rights and rewards while public ownership dilutes them. Property Rights are "the rights to use, to earn income from, and to transfer or exchange the assets and resources" (Libecap, 1989 as cited in Kim & Mahoney, 2005, p. 226).

However critics to the property rights theory argue that ownership change alone cannot be the only source for efficiency in enterprise. Other scholars have argued that the performance of an entity is affected by, amongst others size of the organisation; the goals put in place by management; and structure of the organisations, which affect the decision flow and responsibility of staff. This shows that ownership is not the only factor which determines whether an organisation performs or not. Critics also observe that property rights theories fall short in advising on what needs to be done for societies to transfer from state control of property to where the private property prevails (Drakić, 2000).

### **2.3 THE POLITICAL PHENOMENON OF PRIVATISATION**

Scholars have also used a political economy approach to understand the determinants of privatisation. Bortolotti and Pinotti (2003) constructed an original database with a continuous and time-varying measure of the governments' ideological orientation for twenty-one (21) Organisation for Economic Co-Operation and Development (OECD) countries, in attempt to prove that political preferences matter in the choice of privatisation method. Bortolotti and Pinotti (2003) found that for advanced economies the partisan orientation of the government does not have significant impact, either on

the likelihood of privatisation or on the extent of privatisation. Rather, political preferences do shape the privatisation method. Biais' and Perotti's, (2002) study as cited in Bortolotti and Pinotti, 2003 points out that governments which are more of right wing (defend private property and capitalism) sell shares in the domestic market rather than selling them to strategic investors abroad. Biais' and Perotti's, (2002) study as cited in Biais & Perotti, 2003 further explains that this is because right wing governments design privatisation to spread share ownership and foster popular capitalism, as they would like to win elections.

Some scholars point out that right wing politicians implement privatisation programmes to get future support from shareholders of newly privatised companies. By contrast, the left wing politicians (support redistributive social and economic policies) would implement the same programme with the aim of both winning future elections and maximising privatisation revenues and using them to realise redistributive policies (Biais & Perotti, 2002 as cited in Cavaliere & Scabrosetti, 2006). Also, right wing governments prefer to privatise through public offers while left wing governments do so through private placements to strategic investors or through share issues in international exchanges in order to generate higher revenues (Cavaliere & Scabrosetti, 2006). "It was not until the Thatcher government's second term, 1983-1988, that it was realised that political benefits of privatisation might exceed the economic benefits" (Jackson & Price, 1994, p. 14).

Jackson and Price (1994) argue that this was the case as it was easier for government to raise revenue through the sale of public assets than raising taxes or cutting public spending, and that even more beneficial was the privatisation revenue being used to reduce the public sector borrowing requirement. Therefore, in the UK, privatisation evolved into a political strategy. Vickers' and Yarrow's (1988) study as cited in Jackson & Price 1994 therefore argues that government gained political advantage through privatisation. McAllister's and Stuldar's (1989) study as cited in Jackson & Price, 1994 points out that a study carried out using British Election Survey data concluded that conservatives gained ten (10) percent more of the vote among new shareholders compared with those who had never owned shares. The political economy phenomenon has also been used to understand other aspects of privatisation and also in finance literature.

There has been a lot of contention that has existed on the public private debate by theorists. This debate has however been revived with the events leading to the economic downturn which started around 2007. The global financial crisis which is currently being experienced in most of the world is causing scholars to revisit the question of the extent to which government has a part to play in economic activity.

## **2.4 DEFINING PUBLIC PARTICIPATION**

Privatisation programmes give opportunity for individuals to own assets, be it through purchase of companies through direct sales, concessions or public offering of shares. However, as the study is concerned with issues of public participation in privatisation, the concept of public participation needs to be explored more extensively in context. The last decade has witnessed growing interest in the theoretical analysis of public participation. Theorists have been able to come up with a number of concepts and theoretical approaches to understanding public participation. The study sought to examine the corpus of literature on democracy and communication theories of political participation in an attempt to help in understanding public participation in the privatisation programme. In that context, this section commences with an attempt to define the concept of public participation.

### **2.4.1 Definitions**

In the context that the term “public participation” comprises the elements of “public” and “participation”, the two component concepts as well as “public participation” need to first be defined, particularly in the context in which they are meant to be understood in the study.

#### ***a. Public***

The public is “a collection of individuals and groups... that can be characterised as organised or unorganised, professional or amateur, grassroots or institutional and attentive or inattentive to the issues at hand” (Peelle, 1995, as cited in *Prior Scholarly work on Public Participation*, n.d. p. 3).

The term public has also been described in other terms with similar application, such as the community and stakeholders. However, unlike the term public, both community and stakeholders have generally more specific status application. In spite of these conceptual distinctions, the common understanding is that there is clear overlap between the terms, with public being the embracing or general term, and that use can be made to delineate a specific interest group. For purposes of this study, therefore, the term public is used to specifically refer to ordinary citizens of Malawi, employed, and having a minimum secondary school educational qualification or its equivalent.

***b. Participation***

Different scholars have defined participation in varying ways. In some circumstances scholars have used participation synonymously with such terms as involvement and engagement. These terms are used to describe the process through which individuals and groups come together in some way to communicate, interact, exchange information, provide input around a particular set of issues, problems or decisions, and share in decision-making to one degree or another (Ashford and Rest, 1999). However when it comes to implementation, the degree of such participation varies, ranging from where public participation is used for window dressing the decisions already made by agents to where the public can exert considerable influence on the outcome of decisions or even reversing any decision that had been externally made.

Participation has been defined by different scholars as “the process through which stakeholders influence and share control over priority setting, policy-making, resource allocations and access to public goods and services” (Tikare, Youssef, Donnelly-Roark & Shah, 2001, p. 3).

Participation is also defined as “various efforts undertaken to let and to make citizens take part in politically and socially contested decision-making process...” (Bora and Hausendorf, 2005, p. 1).

In the context of the above attempted definition of participation, nevertheless, it has been generally agreed that there is no blue print definition of participation, simply because the word participation is used in different contexts to mean different things

(Tikare et al, 2001). Thus, participation can therefore be better explained by the overall circumstances and the unique social context in which it is being practised (World Bank, 1996).

In this study, public participation is defined in specific terms using two parameters. The first is in terms of the awareness and knowledge of individuals (the public) about privatisation and the privatisation programme in Malawi, which provides a basis for their informed involvement. The second parameter is in terms of actual involvement of individuals in owning of assets through the privatisation programme. This conceptualisation of public participation is consistent since “regardless of the type of participation, the willingness to participate is the outcome of a dynamic process of information and motivation” (McLeod, Scheufele & Moy, 1999, p. 316).

#### **2.4.2 Theories of Participation**

The last decade has seen interesting development in understanding the concept of participation on the theoretical side. Theorists have been able to come up with a number of concepts and theoretical approaches to understanding participation such as theories of democracy and communication theories of participation.

To better understand the theoretical underpinnings of participation and what it entails the study used two theoretical approaches within these two major theories, firstly the political theory of participation and the communication theories of political participation.

##### **2.4.2.1 Political theory of participation**

Much scholarly work has been done towards constructing a theory that attempts to provide an understanding of participation in a political context. Within the framework of political theory of participation, scholars have pointed out several factors as determining participation by individuals, and the main ones are:- socio-economic characteristics, political institutions and individual attitudes.

###### ***a. Socio-Economic Characteristics***

Downs is known to have been the first scholar to come up with an economic model for explaining voter participation (Downs, 1957, as cited in Gleason, 2001), he found that for perfectly informed voters, participation was dependent on the cost of voting, the benefits one may accrue from voting and whether one's vote has power to affect the outcomes of the overall vote. He premised his argument on the fact that where an individual is indifferent to the outcome of the vote, it is most likely that they will not vote. Downs, therefore, concludes that higher voter turnout is therefore possible where benefits from voting are higher, and when an individual's vote is more likely to matter. However political participation cannot be limited to voting alone it is also " a multidimensional concept: involving far more than voting in elections, it includes election campaigning, collective action around policy issues, contacting political representatives and direct action like protests and demonstration" (Bratton, 1999, p. 552).

Some theorists have attempted to explain political participation using other frameworks, such as the socioeconomic model, political culture, and role of political institutions. Nie's, Powell's, and Prewitt's (1969) study as cited in Bratton, 1999 shows how the socio-economic framework can be used to explain participation by examining the personal attributes of the individuals participating, such as their: gender, age, education, and residential location. Education, income and occupation is one set that some scholars have come up with for explaining the nature of participation (Bratton, 1999). In this context, the socio-economic explanation of participation is based on the argument that people in higher social-economic strata participate more than their counterparts in the lower strata (Conway, 1991; Milbrath & Goel, 1977; Rosenstone & Hansen, 1993, McLeod et al, 1999). Leighley's (1995) study as cited in Gleason, 2001 argues that this is on the following basis, first, there is a general agreement by scholars that those with higher levels of education participate more. In the context of participation, education enables one to understand and appreciate issues by which one has an informed basis for choosing to benefit from, for example an existing policy, programme and activity of government (Parry & Moyser, 1993). By contrast, scenarios of high illiteracy levels will lead to individuals being unable to understand, and appreciate policies, programmes and government activities.

In this study, such conceptualisation of the status of education is relevant. This is particularly in the sense that as privatisation is a fairly new concept in Malawi, it would require one to have a sufficient level of educational in order to understand it thoroughly through the everyday discourse within the larger Malawi society. Furthermore, the hitherto dominance of the state sector in the Malawian economy has not only kept the private sector in diminished visibility but also meant that peoples awareness and understanding of the role of the private sector has remained minimal. This leaves education as a basis by which the public would be able to understand the economic reforms being introduced in the country, including privatisation.

Secondly, the significance of income, which is synonymously used with wealth, is based on the general argument that those with more income participate more as compared to those with little income (Parry & Moyser, 1993). In this study income was also considered important because for individuals to own assets through the privatisation programme they required income. There are situations where education and income are closely related, more so in the case of developing countries. In this case, the argument is that an educated person has higher propensity to make income than someone not educated, simply due to his attributes of knowledge, skills and conceptual abilities to access available income-earning opportunities.

In spite of the above view, however, research results tend to vary as to the relationship between higher income and better education in explaining higher participation (Bratton, 1999). Education has also been found to be a greater reason for participation as compared to wealth although there are variations across countries. For example it has been found that educated people vote more in USA than in Britain (Bratton, 1999).

The significance of gender as cited as an element in the socio-economic model is based on the observation that differential participation show that there is disparity between men and women (Parry & Moyser, 1993). While in the case of voting the disparity between men and women is low, it is nevertheless recognised that women representation in positions of power are lower than that of men. In this context, theory looks at the attribute of women as individuals with their own attitudes on issues surrounding them. Using Dawson theory of participation, it is generally found that the

lower participation of women derives from the higher cost of their participating coupled with the lower benefits accruing to them and lower likelihood of their votes being decisive. In addition, the fact that women are generally perceived to lack the necessary skills for a political career accounts for their representation being lower (Gleason, 2001).

Finally age has also been considered to be an important element in political participation. Literature shows that levels of participation for different age groups differ (Parry & Moysen, 1993). In the case of privatisation the aspect of age was important as it was felt that not all age groups would participate the same. This would be the case as participating age groups would be those interested in owning businesses through the programme and in addition to the extent to which they would have income to do so.

***b. Individual Attitude***

Another body of theory explains participation as being based on political culture. It explains that political participation originates from one's psychological orientations and subjective preferences, such as values, attitudes and motivations of citizens. One measure of these attributes is an individual's interest in politics. In comparative research, interest in politics has been positively related to political participation (Bratton, 1999). Some authors have even argued that interest in politics forms a foundation for more sophisticated political attitudes such as political efficacy (Dahl, 1992; Sigelman & Feldman, 1983; Wolsfeld, 1986 as cited in Bratton, 1999). Other scholars also point out that interest in politics will also lead to political trust (Mishler and Rose, 1995b; Roniger, 1992; Seligson, 1980 as cited in Bratton 1999). Vedlitz's and Veblen's (1980) study as cited in McLeod et al, 1999 found that there was a relationship between one's interest in politics and whether one participated or not. It was found that those having more interest in politics also participated more.

***c. Role of Political Institutions***

Some scholars have adopted a micro-perspective view in explaining political participation, by looking at the role that political institutions play. Political institutions

are explained as system-wide sets of rules, like constitutional and electoral laws, that concern political participation (Bratton, 1999). In this area, scholars have been interested in understanding the role of these institutions in political behaviour and consequently political participation. They argue that existing political institutions determine the participation of individuals. The reason given for this is that institutions link citizens to the state and provide an avenue through which citizens can be involved (Duverger, 1963; Jackman, 1987; Powell, 1986 as cited in Bratton, 1999). However, Bratton (1999) points out that the prerequisite to their participation is the way the institutions operate which would have the effect of reinforcing or constraining citizen participation.

Literature therefore identifies three elements that can impact the public's participation in the programmes and activities of government. These are: the socio-economic characteristics of an individual, such as their gender, education, income; individual attitudes; and institutional mechanisms that have been put in place to assist the public's participation, such as rules, regulation, and organisations.

#### **2.4.2.2 Communication theories of political participation**

Communication plays a pivotal role in participation because it enables individuals to acquire information about issues and even learn about opportunities and ways of participating at community and national level (McLeod et al, 1999). Literature in the area of political communication research points to the fact that communication is done through the mass media and through interpersonal means. The mass media comprises mainly the radio, television and the press (newspapers), while interpersonal communication involves simply informing and discussing of events and issues of topical interest and significance.

##### ***a. Mass Media as a tool for participation***

The mass media is seen as one of the most important tools for effecting people's participation. In the field of public policy, media's role is varied such as acting as a watch dog, uncovering corruption, incompetence and negligence in the working of government. Secondly, it presents the society with a broad multifaceted overview of

events, so that the public have an opportunity to participate fully in the process of democratic governance. By its own initiative, the mass media can also seek to generate interest on general issues of topical interest in economic, political and social areas. In general, the mass media plays the role of informing the public and, by this role, serves as the means by which stakeholders can communicate their messages and programmes.

Scholars have attempted to assess the impact of mass media on participation. However, this has tended to concentrate more on political participation, that is, on the mass media's role on affecting the casting of a vote by citizens (Fishkin, 1995; Gastil & Dillard, 1999; McLeod, Scheufele, & Moy, 1999; Price, Cappella & Nir, 2002, as cited in Moy, Torres, Tanaka, & McCluskey, 2005). Early scholars on mass media, focusing on its influence on voting, came up with theories of media that have gone through three mutations, firstly the propaganda model, secondly the minimal effect model, and thirdly the users and gratifications' model also known as the consumer model (Negrine, 1989, Harrop, 1987, Newton, 1990, Dye & Zeigler, 1983, McQuail, 1987 as cited in Miller, 1991).

The propaganda model arose during the war period. It tried to explain the propaganda techniques evident during the fascist regimes of Italy and Germany and which was also used by the British to take across the message of the atrocities of the Nazi government. Theorists felt that where propaganda is used effectively it can affect opinions of the masses (Miller, 1991). Subsequently, in 1940, researchers came up with the minimal effect model (Miller, 1991). This was following the research findings that showed that remarkably few citizens changed their voting intention during the American presidential campaign, while those citizens who changed attributed their voting intention to the influence of friends, neighbours and conversation partners rather than the mass media.

The third model, the users and gratifications' or consumer model of media influence treats the reader, listener, or viewer as a more active participant in the communication process (Miller, 1991). The theory argues that individuals participate in the communication process and therefore choose what to expose themselves to and what to take from that exposure. Thus, some expose themselves to media to seek

reinforcement rather than guidance; others expose themselves to media so as to make decisions through it. While some consciously seek guidance from media, others may use media for seeking information or even seeking entertainment rather than guidance or reinforcement. The users and gratification's model shows that individuals have various motivations for exposing themselves to the media. Miller (1991) further states that political participation is generally associated with relatively high levels of socio-economic resources, the major ones being income and education. In addition, political participation is also associated with institutional mobilising factors that encourage individual citizens to participate, at least in political activity such as voting or following political news in the mass media. Therefore the social and political background will influence political interest and motivation for using the media and the type of media to be used. He further argues that the highly educated are more likely to need the press, be interested in politics and be knowledgeable about politics.

***b. Interpersonal discourse through family and colleagues***

Interpersonal discourse is another means through which communication is done. Interpersonal communication that occurs amongst colleagues and family at community level provides the knowledge, infrastructure and psychological determinants necessary for participation (McLeod et al, 1999). This is the case because when interacting with others individuals develop their own opinions about issues and react towards them.

**2.4.2.3 Mass Media dimensions and political participation**

Furthermore literature in the area of political communication research shows that there are several dimensions to media and its link to forms of political participation. It is understood that media has various dimensions which could be analysed to assess its impact on one's actual participation. Media reliance and media exposure are some of these dimensions. Media reliance is the degree to which the media (i.e. television, newspapers radio, and magazines) is important to the acquisition of information when used by an individual (Pierce, Lee-Sammons, Steger, & Lovrich. 1990, as cited in Moy et al, 2005). Jeffres' (1997) study as cited in Moy et al 2005 points out that on

the other hand media exposure reflects the amount of time spent accessing a particular media or frequency with which one uses one or more media or particular contents.

Studies point to the fact that media reliance is responsible for how individuals perceive issues. For instance, studies in the field of environmental politics have found that the extent to which people have knowledge and understanding of issues are related to the type of mass media individuals depend on. As such, people with greater reliance on television are less likely to have ideological images of environmental politics (Moy et al, 2005).

Studies undertaken on media attention help researchers have a better understanding of media effects (Chaffee & Schlender, 1986, as cited in Moy et al, 2005). For instance, by measuring differences between newspapers and television in terms of how individuals engage in each medium, it is argued that reading a newspaper requires more cognitive effort than watching television. The argument is that the print media is more effective than television in communicating information (Becker & Dunwoody 1982; Clarke & Fredin, 1978; Robinson & Davis, 1990; Robinson & Levy, 1986, 1996, as cited in Moy et al, 2005). The argument on the superior effectiveness of newspaper over television provides different bases, such as the fact that in format and presentation, television makes it difficult for people to learn from this medium as individuals have very little control over the pace at which information from television is presented. In addition, strongly linked to the mass media's role on impacting political participation is the aspect of how mass media facilitates one to acquire knowledge through its use. The general argument being that the knowledge that one attains through a type of media impacts on one's participation in politics.

### **2.4.3 Benefits of Public Participation**

Participation of people in programmes and activities of government is important for two major reasons. On the one hand, it enables the activity to be perceived as fair, transparent and legitimate. On the other hand, it enables the implementing body to have feedback through people's reaction and feelings about the activity by which it can measure its performance. On the basis of such kind of benefits of participation, scholars have argued that public participation is both morally and functionally integral

to democratic values of political equality; legitimacy and accountability of government; and social responsibility among citizens (Renn, Webler, & Wiedemann, 1995 as cited in *Prior Scholarly work on Public Participation*, n.d.). Public participation helps in ensuring responsiveness of government institutions and their accountability to citizens. It also creates avenues for individuals and groups to influence decisions that affect them while enhancing their competence and capacity to do so (*Prior Scholarly work on Public Participation*, n.d.). The rationale for public participation is also that of creating support for and acceptability of agency actions and facilitating implementation of decisions (Fiorino, 1990; National Research Council, 1996 as cited in *Prior Scholarly work on Public Participation*, n.d.). In regards to stakeholder involvement processes, participation is seen to perform a social peer review function which at the end of the exercise is supposed to legitimise decisions and make them more socially acceptable (Yosie and Herbst, 1998, as cited in *Prior Scholarly work on Public Participation*, n.d.).

## **2.5 PRIVATISATION AND STOCK MARKET DEVELOPMENT**

Stock markets and privatisation programmes in developing countries have been introduced concurrently; this is also true in the case of Malawi. Reports indicate that governments are interested in stock market development because of its link to economic growth and welfare. The listing of companies on the stock market also ensures that companies become responsible for the way they operate, therefore promoting good corporate governance. The two major roles of privatisation programmes in stock markets are, firstly, that the financial markets in relation to privatisation provide mechanisms through which the public can participate. The second role (which is of particular interest in this section) is mainly the positive impact that privatisation has on the stock market development (Chiesa & Nicodano, 2003). Stock market development can be viewed in the form of increase in the number of listed companies, in market capitalisation (this is the total worth of the tradable shares of a public limited company) and in market liquidity, in terms of the stock market this is the extent to which a security can be traded without causing a negative effect on its price (Chiesa & Nicodano, 2003).

The nature of impact that privatisation programmes have on the stock market can be seen to be a causative relationship. For instance, privatisation increases the number of

listed companies and trading volumes on the stock exchange in keeping with the privatisation's aim of broadening the market (Schindele, 2003). Schindele (2003) also argues that privatisation sales offer indirect benefits through positive externalities and that in addition new listings increase the potential for diversification. This diversification contributes to market deepening which is a situation where a large number of shares are available on the stock market without affecting their price this therefore enables risk-sharing. Privatisation also attracts new investors on the stock market resulting in it developing further (Schindele, 2003).

However, there are other factors that lead to stock market development. These include attractive financial innovative policies on the market, and change in the population structure, whereby the aging population are interested in buying pension policies (Chiesa & Nicodano, 2003). Given the presence of these factors, other scholars have however attempted to establish if there are other indirect links for the status quo. Arguments have been advanced that privatisation affects political risk, consequently impacting on stock market operation and development. There is evidence that policy uncertainty measured by political risk indices decreases as privatisation proceeds increase (Perotti & van Ojeni, 2000, as cited in Schindele, 2003). At the same time, a significant positive relationship exists in countries between the growth in stock market capitalisation and the improvement in the policy risk index. Political risk is understood as the credibility of government's policy, measured in terms of how prepared government is to have sound economic policies and level of response to the views of the public (Perotti & van Ojeni, 2000, as cited in Schindele, 2003). Political Risk also extends to the country's financial stability and ability to service its debt. However, for most countries, the political risk indicator tends to be very low at the time when government is announcing a privatisation programme, but it gradually moves upwards as the programme is being implemented.

Furthermore, privatisation does have participation externalities in that once a stock market has a lot of listings other companies are also encouraged to list as well. Pagano's (1989) study as cited in Schindele, 2003 argues that every additional trader in the stock market generates a positive externality of decreasing the volatility of the market, resulting in an increase in the number of investors, increasing prices and lower expected returns, inducing firms to respond by issuing more equity thereby

increasing market size. However, this is difficult to prove, as individual investors may not have incentives to enter the stock market even though as a group, companies stand to benefit.

In the case of Malawi government, enterprises have been privatised by listing on the Malawi Stock Exchange (MSE) through IPOs to the public. The MSE started operating in 1996, under the Capital Market Development Act of Malawi, 1990 and the Company Act, 1984. Prior to the listing of companies on the stock market, the MSE traded in secondary trading in government of Malawi securities, such as Treasury Bills and Local Registered Stocks. Between the years 1996 to 2006 the stock market concentrated on trading in shares (equities), the financial market had also plans to expand trading to include government securities, Reserve Bank of Malawi bills, and Commercial paper (Kamanga, 2007).

## **2.6 CONTEXTUAL ISSUES RELATING TO MALAWI'S PRIVATISATION PROGRAMME**

### **2.6.1 The economic status in Malawi 1996-2006**

Malawi's privatisation programme has been implemented in an economic environment dominated by agriculture. The agricultural sector constitutes 38.6 percent of the economy, employing 84.5 percent of the labour force and accounting for 82.5 percent of foreign exchange earnings (GOM, 2004). As of the year 2005, Malawi's Gross Domestic Product (GDP) per capita was approximately United States Dollar (USD) 170.00 (GOM, 2005), while the Human Development Index (HDI) was 0.388. The approximate population was 14 million, of which 51 percent were women. According to the 1998 Integrated Household Survey, two thirds of the population lived in poverty, the majority of which were also women. Income inequality was very high, especially between urban and rural areas, with comparative Gini Coefficients in 1998 of 0.52 and 0.37 respectively (GOM, 2005).

### **2.6.2 Macro-economic Performance 1998 - 2006**

From 1998 to 2006, Malawi's economy experienced erratic growth performance. Among the several macroeconomic indicators that can be used to measure this are the Growth Development Product (GDP) and inflation rates.

In 1998, Malawi's economy registered an increase in real GDP of 3.3 percent. However, the inflation rate increased much higher from 19.6 percent by the end of July in 1998 to 53 percent by end December of the same year. This increase was mainly due to the combined forces of the depreciation of the national currency, the Malawi Kwacha, and the poorer tobacco export earnings (GOM, 1999). GDP continued to grow in 2000, but at a slower rate of 2.1 percent, while inflation sharply dropped to a 29.5 percent average (GOM, 2001). During the period 2001 to 2003, the economy registered a negative growth. This was mainly due to the erratic rainfall the country (and the region as a whole) experienced during this period which adversely affected agricultural production and productivity of both food and cash crops. Not only did this result in shortages of food crop supplies for domestic consumption but also adversely affected cash crop supplies for the manufacturing sector and for export since the agricultural and manufacturing sectors account for a larger share of the country's GDP (GOM, 2002). Additional factors for the poor economic performance were low domestic demand of goods, stiff competition from imported goods, high levels of inflation and depreciation of the Malawi Kwacha (GOM, 2001). In 2004, the economy again grew, by 5.1 percent, but only to drop to 2.1 percent in 2005, while the inflation rate increased from 11.5 to 15.4 percent in 2005 (GOM, 2006). This was due to increases in food prices and oil prices.

The economy significantly improved in 2006. This was as a result of growth experienced in the agricultural sector. This was accounted for by a combination of the government introducing the agriculture inputs subsidy and irrigation programmes and the favourable rainfall during this period. The same year Malawi qualified for the Heavily Indebted Poor Countries Program (HIPC) of the International Monetary Fund (IMF) and the World Bank (*Malawi Country Profile*, n. d.). Inflation slowed down from 10.6 percent to 7.5 percent in 2007, mainly because of the adequate food supply in the country, tight monetary policy and reduced borrowing.

The private sector in Malawi had remained rather miniscule. By 2002, less than an average of 40 million USD had been invested in it annually. The manufacturing sector accounted for 11.0 percent of the Gross Domestic Product (GDP) and comprised mainly agro-processing activities, including tobacco, tea and sugar (GOM, 2004). Its

productive sub-sector was also limited in diversity, with few large companies operating tea, sugar and tobacco estates. The private sector had also large companies with parastatal roots in the utility areas of water and electricity, air transport, telecommunications and railways. These companies were in various stages of privatisation and commercialisation (Norwegian Agency for Development Co-operation (NORAD), 2002). However, in 1996 the Malawi government had formulated and passed legislation on privatisation which was key to the actual operationalisation of the privatisation programme in the country.

### **2.6.3 Historical aspects leading to the privatisation programme in Malawi**

Malawi became an independent state in 1964 from British colonial rule which dated as far back as 1891. Since independence and especially from the 1970s to early 1980s, the country experienced some economic growth. During this period, Malawi followed a state-centred development strategy. Incidentally, this was also the period when the country was under a single party system of government. The poor performance of the economy that started in the 1980s was due to debt crisis and contraction of the national budget. This resulted in increased demands by Cooperating Partners for appropriate reforms in exchange for financial assistance. This demands centred on reforms in governance and the economy (commonly known as SAPs) which had some elements of privatisation strategies. In 1994, the country reverted to multiparty democracy by holding multi-party elections. The economy, however, continued to experience a decline during this time, up to around 2004. In 2005, the economy briefly experienced a recovery up to 2006. Of late, it has reverted to a decline mainly due to shortages in foreign exchange which has made it difficult to pay for imports including fuel which has hampered transport and the manufacturing sectors.

Malawi operated an economic development policy and strategy of comprehensive development planning, state control, direction and management of the economy and, along with this, state ownership of the means of production in the critical areas of production and services, just as soon as it attained independence. Government involved itself in business through State Owned Enterprises (SOEs), and had an extensive commercial parastatal structure in the major sectors of agriculture, manufacturing, mining, commerce, services, and transportation (Fundanga & Mwaba,

1997). In turn, this led to a private sector which was strictly regulated and controlled, to the extent that in its policy, government determined such fundamental issues as allocation of resources, distribution of income and consumption, levels of saving and investment, and relative prices of goods and services.

The factors that influenced such a policy direction were varied. Primarily, government was hoping to accelerate development by investing in the different sectors of development, just like other countries which had been through similar experiences (Sader, 1995). The strategy was influenced by specific factors. The first arose from the fact that the country had attained independence with a very weak economic base, in the critical areas of agriculture, industry, economic, social services and infrastructure. Secondly, there was a very small private sector, which was largely confined to the urban environment that was also small. Lastly, government had adopted a political ideology of single-party governance with socialist traits, involving national integration and social development mobilisation. This development framework compelled and influenced government to have greater state role in the economy, not only by providing the necessary leadership, stimulation, shaping, support and management. Government also undertook investments in areas it considered necessary to ensure both provision of effective influence and support and to fill the critical gaps in areas where the private sector was unable or unwilling to sufficiently venture in. In part, that would ensure that the benefits of economic development were also enjoyed by the majority of the marginalised population in all regions where they resided and sought to pursue their livelihoods (Stambuli, 2002). The major strategy involved creation of public enterprises of various types (industrial, agricultural and financial), including development agencies and state companies to operate side-by-side with private sector companies. Government's involvement in the private sector would also ensure the creation of employment, provision of social goods and services, enhancement of public savings, control of strategic sectors of the economy and correction of market failures (Mawindo, 2002).

Between the years 1967-79, real GDP grew at an annual average of 5.2 percent per annum well above the population growth (Ng'ong'ola, 1996). This state of affairs also characterised many of the African countries as the first twenty years of

independence were years of rapid growth, favourable trade terms and high levels of public investments in infrastructure and services (Fundanga & Mwaba, 1997)

In the period 1979-1982, Malawi's economy experienced a sharp decline in growth: both the balance of payments and the fiscal positions deteriorated. GDP fell by a total of 9.5 percent during 1981/82, the current accounts deficit rose to 21.2 percent of GDP in 1980 and the fiscal deficit, before grants, rose to 15.5 percent in 1981. Between 1984 and 1988, real GDP rose on average by 2 percent a year while population grew by 3 percent per annum. World Bank's (1994) study as cited in Ng'ong'ola, 1996 pointed out that in 1989, GDP per capita was more than 20 percent below its level a decade earlier. This was mainly due to factors of both external and internal dimensions. The external factors introduced shocks in the economy that resulted in sharp increases in import prices. The main element was the political factor involving neighbouring Mozambique, upon which Malawi depended for its import-export trade routes to the Indian Ocean. The civil war in Mozambique resulted in an influx of about a million refugees into Malawi; it also seriously disrupted Malawi's trade transportation, resulting in sharp increases in transportation costs (Stambuli, 2002). Internally, Malawi also experienced severe draughts in 1980-1981, which affected agricultural output upon which the economy was heavily dependent.

World Bank's (1994) study (as cited in Ng'ong'ola, 1996) argues that these factors exposed the structural weakness and frailty of Malawi's economy; Malawi's economy was characterised by a narrow export base, weak agriculture capacity, heavy import dependence, inefficient public enterprises and weak public resource management capacity. Perhaps of more critical effect in this context was the fact that the government had apparently taken too much on its hands through its funding of commercial parastatals and the different business interests that it had accumulated. The performance of SOEs was unsatisfactory. This was largely due to the inefficient manner in which these organisations were being run. The basis of their operation appeared to be mainly political, as reflected, for instance, in provision of subsidised goods and services and their employment generation objective. Furthermore, these SOEs operated on soft budget loans, thereby aggravating their inefficient operation (Sader, 1995). Theorists of privatisation argue that public enterprises are used to pursue non-commercial objectives of government, including employment

maximisation and uneconomic investment choices (Li & Xu, 2002). Since the operations of the public enterprises were not based on rational business decisions these enterprises ended up operating inefficiently and incurring heavy losses.

The inefficiency of public enterprises proved to be a drain on government resources and a strain on the much needed development. The expansion of the public sector in a bid to bring about economic development in Malawi seemed to have failed. In the first place, the investments in parastatals through which government sought to generate wealth resulted in operating losses. Secondly, public enterprises were also hampering the development of the private sector through their heavy borrowing, as they needed to survive, and in the process crowded out the private sector. It now became clear that government had to change its policy as regards SOEs.

Therefore in a bid to reverse the worsening economy, Malawi, just like most of its African counterparts, engaged in heavy borrowing, from the World Bank and International Monetary Fund (IMF), which led to balance of payments deficits. By 1980, Africa's International Creditors made conditionalities for accessing loans. These included adopting sweeping programmes of fiscal austerity, deregulation and privatisation (Berry, 2004). Malawi's poor economic performance continued, in the 1980's government agreed to prescriptions in the Structural Adjustment Programmes (SAP's) of the World Bank and the International Monetary Fund (IMF). In 1985, the Agricultural Development and Marketing Corporation (ADMARC) became the first public enterprise to be subjected to the privatisation process.

However, implementation of SAPs attracted a lot of controversy in Malawi. In the case of ADMARC, for instance, the privatisation process was not completed, particularly due to its focus on supporting the agricultural production requirements of the majority of the country's smallholder farmers. Generally, SAPs were perceived as having negative socio-economic impacts, including; widespread hardship on the poor, and exacerbating inequality, corruption and environmental degradation (Berry, 2004). International Creditors therefore pushed for a workable framework within which neo-liberalism would operate by adding political conditional ties for their financial assistance. They impressed upon African governments to replace undemocratic military and one-party regimes with governments chosen through democratic

elections (Berry, 2004). The demands of the International Finance Institutions (IFIs) also coincided with the demand for political change in Malawi. The cooperating partners were pushing Malawi to embrace democracy and become politically pluralistic. As this generated some resistance by the then one-party regime, it also resulted in the slowing down of privatisation in Malawi. In 1994 Malawi held its first democratic elections and in 1996 the Malawi Privatisation Programme commenced.

## **2.7 CONCLUSION**

The study of privatisation in the context of the participation by the public in the privatisation programme brings in a new perspective of the concept of privatisation; this is because a lot of literature on privatisation has largely been concerned with the economic aspects of privatisation programmes. Little has been touched on the consequence of such programmes on ordinary individuals, that is, if they do get to benefit in such government programmes. Nonetheless, as much as an understanding of privatisation as an economic intervention has dominated much of the literature in the world, increasingly scholars are recognising that privatisation is broader in that it is also a socio-political phenomenon. Furthermore most literature on privatisation has also been focused on western states, and to some extent countries in the east. This study adds to the limited literature on privatisation from the Southern Sub-Saharan Africa region.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

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#### **3.1 INTRODUCTION**

This chapter describes the methodology used in the study commencing with the research approach in Section 3.2. Section 3.3 defines and describes the study population, sample and sampling procedures. The data collection and data analysis methods are presented in Sections 3.4 and 3.5, respectively. Section 3.6 covers the research ethical considerations and the research limitations are covered in Section 3.7. Section 3.8 is the conclusion of the chapter.

#### **3.2 RESEARCH APPROACH**

The study adopted both qualitative and quantitative research approaches, but with the qualitative approach being more predominant. Qualitative research approach is where a researcher seeks to obtain an in-depth understanding of a phenomenon, while the quantitative research approach is an approach that uses numerical methods of describing observations of materials or characteristics (Sidhu, 2004). The qualitative approach was used because this approach allows one to validate research findings using cross-checking of sources of information also known as triangulation (Fraenkel & Wallen, 1996). Through this approach the researcher was also able to adopt purposive sampling where a researcher draws from a pool of experts in the field of study of the research. Whereas the quantitative method was used because this method allowed the research data to be reduced to numerical scores, this assisted the researcher to explain complex issues in a manner that could easily be understood. In the same vein quantitative research approach also allowed the researcher to use statistical tools to analyse and interpret data.

### **3.3 STUDY POPULATION AND SAMPLING**

#### **3.3.1 Study Population**

The study population is the “totality of cases that conform to some designated specifications” (Churchill & Iacobucci, 2002, p. 448).

The population for this study comprised individuals working in organisations emanating from the public, private (commercial) and Non-Governmental Organisation (NGO) Sectors located in Blantyre district. These individuals were employed Malawians having a minimum of secondary school qualification or its equivalent as defined in Section 2.5.1. The numbers of such organisations located in Blantyre were identified as, respectively, forty-eight (48) from the Public Sector, sixty-eight (68) from the Private Sector and one hundred and thirty-eight (138) from the NGO Sector, making up a total of two hundred and fifty-three (253) organisations. Public Sector organisations were identified through the Malawi telephone directory which has lists and contacts of all government departments and organisations in the country. The private sector organisations identified were from the list of registered members of the Malawi Confederation of Chambers of Commerce and Industry (MCCCI). MCCCI’s mandate is to serve and promote the interests of private businesses who are its members and the business community in Malawi (comprehensive information on the MCCCI can be found at <http://www.mccci.org>). Similarly NGOs were identified through the membership list of the Council for Non-Governmental Organisations in Malawi (CONGOMA). NGOs are normally expected to register as members of the Council as their umbrella body charged with the responsibility of coordinating the NGO sector as stipulated in Section 24 of the 2000 NGO Act (Comprehensive information about CONGOMA can be found at <http://www.congoma.org>).

#### **3.3.2 Research Sample and Sampling procedure**

The sample is a proportion of objects or individuals from the study population from which inferences to the population are based (Sidhu, 2004.) In this research the sample were individuals who were employed and had a Malawi School Certificate of Education (MSCE) or equivalent qualification. In line with what Sidhu (2004) states

as its main objective, sampling was done in order to ensure that the study has a high degree of accuracy and completeness. Sampling assists in avoiding repetition in circumstances where the units in the study are similar; it also allows scientific data analysis using statistical tools. In the case of this study, sampling was done because the study is being done for academic purposes. Given this scenario the timeframe and the budget for the study was limited, making it impossible to do complete counts on the population. Furthermore, sampling was done to ensure that the research sample was adequately representative (Saunders, Lewis, & Thornhill, 2000) and not biased. In this context, use was made of the stratified random sampling, simple random sampling and the purposive sampling techniques.

The total sample size for the research was ninety-seven (97), calculated using a Confidence Level of 95 percent, which was converted to a figure of one hundred and eight (108).

### **3.3.3 Stratified Random Technique and Simple Random Technique**

Using the stratified sampling technique, twenty-nine (29), NGOs, thirty-four (34) Public Sector organisations and thirty-four (34) Private Sector Organisations, a total of ninety-seven (97) sample organisations were selected. After which at least one individual was selected from the ninety-seven (97) organisations using simple random technique to respond to the questionnaire, amounting to one hundred and eight (108) Malawian individuals who are referred to as the ‘the public’ in the study.

The one hundred and eight (108) individuals which was the sample for the study comprised those Malawian individuals with a minimum educational level of, or equivalent to, the Malawi School Certificate of Education (MSCE) or awarded for successful completion of secondary school education, equivalent to GSCE “O-Level” certificate. This educational level plus the fact that these individuals were employed was considered to be an appropriate basis for representing the public for purposes of the study. This was in the sense of their potential attributes relevant to taking advantage of the benefits of a privatisation programme. Such attributes included:- income from regular employment (that permits savings for venturing into some investment); better access to media, professional and personal information about

available business offers; higher ability for understanding issues for informed choices and decisions; and relevant experiential knowledge and skills for managing the preferred business venture. The actual organisations through which these individuals were identified to respond to the questionnaires were identified using the simple random technique.

### **3.3.4 Purposive Judgemental Sampling Technique**

Purposive sampling technique is a method of sampling where the selection of individuals or organisations making up the sample is done on the basis that they can contribute to the purpose of the research (Churchill & Iacobucci, 2002). The purposive judgemental sampling technique was used to select organisations which were deemed to be stakeholders of the Privatisation Programme, for purposes of obtaining information about the performance of the privatisation process from amongst those with professional and administrative knowledge capable of providing facts and informed views and assessments. Five (5) stakeholder organisations with interests and involvement in the privatisation programme informed this study. Information was sought from one (1) representative from each stakeholder organisation. These included the Privatisation Commission which is responsible for overseeing all aspects of the implementation of the privatisation programme in Malawi; Malawi Investment Promotion Agency (MIPA) responsible for overseeing and facilitating investment business opportunities for local and foreign investors; MCCCCI a representative of the business community in the country, responsible for putting forward the interest of its members at both local and international level; the Malawi Stock Exchange (MSE) responsible for operating and overseeing trading procedures, and facilitating companies to raise finance capital; and Trust Finance Limited (TFL) responsible for managing investment portfolios for its Clients.

## **3.4 METHODS OF DATA COLLECTION**

As indicated in Section 3.2 the study collected both qualitative and quantitative data. The methods used in collecting the qualitative data involved:-

- a) Semi-structured in-depth interviews
- b) Respondent complete questionnaires

- c) Documentary Scanning

While quantitative data was collected using:-

- a) Respondent complete questionnaires
- b) Documentary Scanning

These methods of data collection are discussed in Section 3.4.1 to 3.4.3

Through these methods of data collection, the study collected both primary and secondary data. Primary data was collected by means of both Semi-Structured In-depth Interviews and Respondent-Complete Questionnaires. Secondary data was collected through documentary scanning. Use of these methods was considered as a necessary basis for establishing the nature of the situation, based on data that was complementary, enriching, reinforcing, cross-checking and closing of information gaps.

#### **3.4.1 Respondent -Complete Questionnaire method**

The Respondent-Complete Questionnaire method is a method of data collection where respondents fill forms that are prepared with a purpose of extracting from them information for a research (Sidhu, 2004). The Respondent-Complete Questionnaire was given to the public so that they inform the research (see Appendix II, Section 7.1). The reasons for administering this questionnaire to the public have already been given in Section 3.3.3. The advantages of using this method of data collection are that the method enables collection of more data than the use of the interview method alone. The study used this type of data collection because first, it enabled the researcher to cover a greater number of respondents in the limited time permitted by the research resources. Secondly, due to the flexible nature of the questionnaire's design, it permitted sufficient time for the respondents to respond in the required manner. Thirdly, the questionnaire method was meant to sufficiently persuade the respondents to provide information of the kind that due to the nature of its sensitivity they would otherwise have been reluctant to disclose. As Sidhu (2004) states,

questionnaires also ensure confidentiality and cause respondents to focus on significant items of the research.

Through the Respondent-Complete Questionnaire the study sought to find out information from the respondents that ranged from the socio-economic profile of the respondents, whether they had participated in the privatisation programme and how, their views of the programme and what needed to be done for the programme to ensure that individuals participate in the programme just to mention a few.

The respondents were given three (3) weeks to respond to the questionnaire, as the researcher felt that this gave them ample time to respond. For the purposes of explaining to the respondent about the study, making follow up and collection of completed questionnaires a research assistant was engaged. However the challenge faced in using the Respondent-Complete Questionnaire method was that most respondents failed to submit the questionnaires in time, citing their busy work schedules as the reason for this. In such cases follow-ups were made to the respondents until they submitted the questionnaires.

The questionnaire in this study comprised both close-ended and open-ended questions, and applied to respondents drawn from the sampled organisations delineated as *the public*. Close-ended questions are type of questions that limit the way a respondent can reply to them by using yes or no answers or checking an item from a list (Sidhu, 2004). Open-ended questions are questions which do not limit the respondent's reply to the question (Churchill and Iacobucci, 2002). The questionnaire was subjected to a pre-test in Lilongwe, involving twenty (20) individuals of similar status to the respondents but who did not form part of the study. Thereafter, appropriate changes and adjustments were made to make the questionnaire more feasible for administration to the actual research respondents. For example the aspect of income under the section of socio-economic characteristics was recategorised from six (6) income categories to eight (8) income categories, thereby enabling it to take into context the formal minimum wage level of the country.

### **3.4.2 Semi-Structured In-depth Interviews**

Semi-Structured In-depth Interviews are interviews that are conducted personally and verbally where the interviewer has already set out questions, but this method of conducting interviews gives freedom to the interviewer to conduct the interview according to the specific interview being conducted (Sidhu, 2004). In the research Semi-Structured In-depth Interviews were conducted with one (1) representative from each of the sampled stakeholder organisations in the privatisation process. These were MIPA, MCCCCI, TFL, MSE and Privatisation Commission. Sidhu (2004) states the following attributes of interviews such as that, interviews make it possible for an interviewer to follow-up leads and to take advantage of small clues and cross-questioning; furthermore it allows the respondent to cover areas that a single questionnaire would not be able to cover. The researcher used this type of data collection method because Semi-Structured In-depth Interviews allowed the researcher to use key questions, and to engage in a discussion with the interviewee. It also gave an opportunity to the researcher to probe for elaboration and explanations where necessary and to direct the interview to better respond to the problem, objectives, and questions of the research. This was the case because the purpose of the interviews was to obtain informed information regarding stakeholder organisation's informed views and opinions on the performance of the privatisation process, involving various identified key aspects. For MIPA, MCCCCI and Privatisation Commission, such aspects mainly focused on an assessment of the enabling and constraining factors in the success of the privatisation programme, applying to such major issues as policy, management, the response rate (major and least beneficiaries). As for MSE and TFL the issues pertained to nature of operation of the Malawi Stock Exchange, the form and level of participation by the public as well as the extent to which the privatisation programme had played a role on the number of companies subscribing to the MSE among others.

The researcher conducted the interviews personally with each stakeholder organisation as the mandate and operations of these organisations were different, meaning that even their views and opinions of the privatisation programme would differ. The interviews did not exceed two hours: data was recorded manually in a notepad in short form. However it was challenging to get appointments with the representatives from the stakeholder organisations, because they tended to be busy. Also the organisations were located in different regions in the country which meant

that the researcher had to travel to personally meet them. In addition some organisations were reluctant to release information as they felt that it was confidential. Although this was the case the researcher managed to interview all the representatives, where necessary appointments were rescheduled so as to make them convenient for the organisations. The researcher also made follow-up where necessary to ensure that relevant information was provided by the stakeholder organisations apart from the fact that letters of introduction were given to all stakeholder organisations in which issues of confidentiality of all information given for the purposes of the study was assured.

### **3.4.3 Documentary Method**

Documentary method of data collection involves the collection of already existing data this can be in the form of printed books, periodicals, census, dissertations and government publications (Churchhill and Iacobucci, 2002). The advantages of using this type of data collection method are that it saves time and it is less expensive. In this study, documentary data was both complementary and supplementary, to the study purpose, in two dimensions. Firstly as regards to helping in the construction of the relevant context of the study regarding privatisation issues. This was extracted from literature involving theoretical principles and research-based knowledge and secondly as regards to arguments relating to the wider and specific areas of Malawian experience. Among these documentary sources were books, journal articles and various forms of research-based papers and reports. For instance some of Malawi's government publications that the researcher used included:- government of Malawi legislation, such as the Privatisation Act, Capital Market Act, and Investment Act; annual reports for example economic reports and the Malawi Privatisation Commission reports.

From the literature pertaining to Malawi the researcher sought information that would provide the actual context within which the programme was being implemented especially the policies surrounding the programme. The researcher felt that this would therefore provide a contextual framework which would make it easier for one to understand the nature of implementation and therefore the response to the privatisation programme in Malawi.

### **3.5 METHODS OF DATA ANALYSIS**

The collected data for the research was analysed both qualitatively and quantitatively depending on the type of data and the analytical purpose intended. The research adopted this multi-method approach in order to provide cross referencing necessary to arrive at a holistic situation about the phenomenon. Qualitative data was organised around issues constituting the main lines of the study's enquiry. On the basis that such information served to provide the main content of the study and in addition provided elaboration on issues on which statistical information was gathered, it was used in validating and explaining the results of such information. Quantitative data was scientifically interpreted and statistically analysed.

Qualitative data was derived from information from the open-ended part of the questionnaire the Semi-Structured In-depth Interviews and from documents for the research. This data pertained to information provided on the basis of specific questions posed on defined issues. The data was then organised into pertinent sub-themes, by which a general picture about the situation was derived on the basis of commonalities and variations.

Quantitative data was derived from the questionnaires' close-ended questions entered into a pre-coded format in the spread-sheet, and analysed using Excel and Statistical Package for Social Scientists (SPSS) software packages. The results were then presented in frequency tables and graphs to facilitate interpretation of the study's findings, these frequency tables and graphs are presented in Chapter Four. The analysis process involved categorisation, classification, unitisation, and then analysis and interpretation. This helped to complement and validate statistical data results.

### **3.6 RESEARCH ETHICAL CONSIDERATIONS**

In spite of the fact that by its nature the study was generally perceived as not containing any issues of possible personal harm to the participants, it was nevertheless considered important to adhere to particular research ethical issues. One of these was to seek consent from the respondents of their participation in the study. The second was to assure them that their participation was unlikely to result in their personal harm

in any respect. In particular, at least, neither their participation nor the information they provided would be disclosed to anyone for any purpose other than solely for academic purposes. In fact, they did not have to disclose their names as this was not necessary for purposes of the study objectives.

The study was clearly introduced to the respondents in terms of its purpose and nature of their participation as well as how the results would be disseminated in writing (see Appendix II, Section 7.2). The respondents were assured of their right and freedom to participate, and assured through the researcher's acknowledgement of the fact that this would involve a sacrifice of their time. In addition, participants were given the researcher's contact details, in case they needed to confirm authenticity or to subsequently provide additional or corrected information. Apparently, the participants were satisfied with these provisions as they all agreed to participate in the research.

### **3.7 SOME RESEARCH LIMITATIONS EXPERIENCED**

In the data collection process, we experienced some drawbacks in a few areas, but which mainly impacted on the timely completion of the task as per the planned schedule. Nevertheless, with appropriate adjustments, the task was eventually completed to a satisfactory level.

One of the challenges faced related to the unwillingness of a significant number of representatives for the stakeholder organisations to avail themselves for interview, as scheduled. They explained this as due to the heavy or urgent work schedules they had to attend to. Therefore meetings with such representatives had to be re-scheduled for another appropriate time. The second challenge involved the questionnaire respondents. Most of them took a rather long time to complete and return the questionnaires. It had to take constant reminders and even follow-up visits for them to complete and return the questionnaires.

### **3.8 CONCLUSION**

The study adopted a combination of qualitative and quantitative research approaches. This was on the basis that while quantified data had to be collected on aspects of the respondent's participation responses within the privatisation programme process, it

was necessary to obtain information about views and opinions that appeared to corroborate and explain the basis for such responses. Data was collected by means of Semi-Structured In-depth interviews, questionnaires and documentary methods, and analysed by using qualitative and quantitative methods. Data collection was governed by observance of ethical issues as considered relevant implied by the nature of the study subject matter.

## **CHAPTER FOUR**

### **RESEARCH FINDINGS**

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#### **4.1 INTRODUCTION**

While Chapter Three presented the methodology of the study, Chapter Four presents the study findings based on the research questions covering a ten (10) year period of the implementation of the privatisation programme since its inception in 1996 as indicated in Chapter One in Section 1.0. These apply to, respectively beginning with Section 4.2, which comprises the demographic profile of the sample population. Section 4.3 presents the findings in the areas of the legislative underpinnings of the privatisation programme which include: the creation and function of the Privatisation Commission; principles of operation of the Privatisation Commission; and implementation of the programme. Section 4.4 discusses the overall ownership of privatised enterprises, and Section 4.5 shows the methods used for privatising enterprises. Section 4.6 covers the aspect of the public's participation in the privatisation programme. Section 4.7 discusses the public's sources of information on the privatisation programme, and Section 4.8 the stock market and privatisation. Section 4.9 shows the public and stakeholder assessments of the privatisation programme. This covers findings of the public assessments of the programme mainly, what respondents felt was the facilitating role of the Privatisation Commission and the positive and negative aspects about the privatisation programme. Stakeholder organisations' assessments comprising assessments by the Privatisation Commission, Malawi Confederation of Chambers of Commerce and Industry (MCCCI), Malawi Investment Promotion Agency (MIPA), and finally the chapter concludes with Section 4.10.

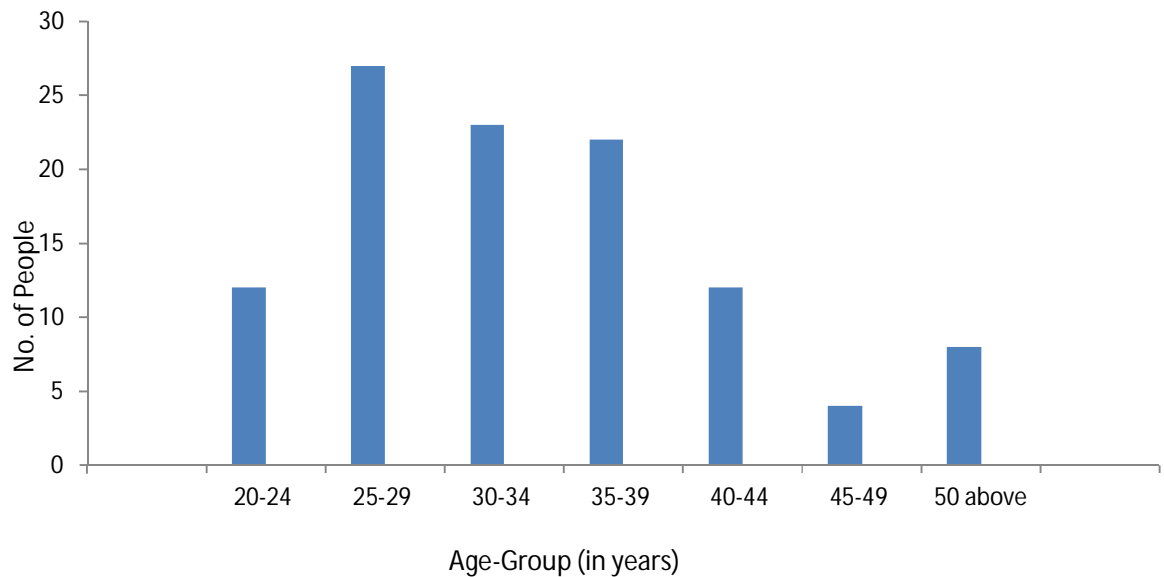
#### **4.2 DEMOGRAPHIC PROFILE OF SAMPLE POPULATION**

As one side of this study, the researcher sought to assess the extent to which the public's socio-economic characteristics may determine the level of participation in the privatisation programme. Such characteristics cover the following aspects of age,

gender, education, income and financial instruments held by the respondents. The research sample reflected distributions according to these elements as presented in the tables and figures discussed in Sections 4.2.1. to 4.2.5.

#### 4.2.1 Age

Figure 4.1 presents the distribution of respondents by Age Group, identified using the simple random technique from ninety-seven (97) organisations from the public sector, the private sector and the NGO (Civil Society Organisations) sector.



**Figure 4.1:** Bar Graph showing distribution of respondents by Age Group in years

The respondents were spread between the ages of 20 and above 50. Of the seven age-groups, the majority of the respondents (68 %) were in the 25 – 39 age-group with the largest group being in the relatively younger 25-29 age-group.

#### 4.2.2 Gender

The research sample comprised both male and female respondents, with the former constituting the larger section (58%). However to understand the relationship of socio-economic characteristics of respondents to participation in the privatisation programme, Cross Tabulation and Chi- Square Test Results were used. Table 4.1 shows the Cross Tabulation of the respondents’ gender and owning of assets through the privatisation programme.

**Table 4.1:** Cross Tabulation of Gender and owning of assets through the programme

		<b>OWNING OF ASSETS THROUGH THE PRIVATISATION PROGRAMME</b>	
		<b>Yes</b>	<b>No</b>
<b>GENDER</b>	Male	69%	56%
	Female	31%	44%
<b>Total</b>		100%	100%

Table 4.1 shows that a majority of ownership of assets through the programme was by males (69%), while only 31% of females participated by owning assets through the privatisation programme.

#### **4.2.3 Education**

The respondents' qualification ranged from a Malawi School Certificate of Education (MSCE) to a Masters Degree. Those with Diploma level qualification constituted the largest group (42%), followed, in descending order, by those with MSCE (31%), Bachelors Degree (24%) and Masters Degree (3%). Table 4.2 below shows the Cross Tabulation of the education level of respondents and their ownership of assets through the privatisation programme.

**Table 4.2:** Cross Tabulation of Education Level and owning of assets through the programme

		<b>OWNING OF ASSETS THROUGH THE PRIVATISATION PROGRAMME</b>	
		Yes	No
<b>EDUCATION</b>	Masters Degree	6%	2%
	Bachelors Degree	37%	22%
	Diploma	44%	41%
	MSCE	13%	35%
<b>Total</b>		100%	100%

Table 4.2 shows that the largest number of respondents who ended up owning assets through the privatisation programme were mostly those having a diploma level qualification at 44%, followed by those having a Bachelors degree level qualification at 37%, while the least were those having a Masters degree level qualification only at 6%.

Furthermore the findings show that respondents with higher levels of education also participated more in the programme in terms of their knowledge of the role of the Privatisation Commission; knowledge of intervention mechanisms of government to encourage the public to participate in the programme; their involvement in the Privatisation Commission activities. Table 4.3 shows the Cross Tabulation of the education level of respondents and the different aspects of participation by respondents in the privatisation programme.

**Table 4.3:** Cross Tabulation of Education Level and aspects of participation

<b>EDUCATION</b>	<b>ASPECTS OF PARTICIPATION</b>		
	<b>Knowledge of Privatisation Commission role</b>	<b>Knowledge of Intervention mechanisms by Privatisation Commission</b>	<b>Involvement in Privatisation Commission activities</b>
Masters Degree	100%	100%	33%
Bachelors Degree	85%	42%	15%
Diploma	84%	11%	2%
MSCE	61%	0%	0%

Table 4.3 shows that those having higher levels of education participated more in all the participation categories. All (100%) respondents having Masters Level qualification had knowledge of government's intervention mechanism for encouraging participation, compared to (42 %) of Degree holders, (11%) of Diploma holders while none of those having MSCE qualification had knowledge in this particular aspect.

#### **4.2.4 Income**

The researcher felt that the level of income was important as income can be used to facilitate one's ownership of assets through the programme. The respondents' annual income ranged from 5000 to over 12 000 000 Malawi Kwacha. Table 4.4 provides seven income bracket categories of the respondents.

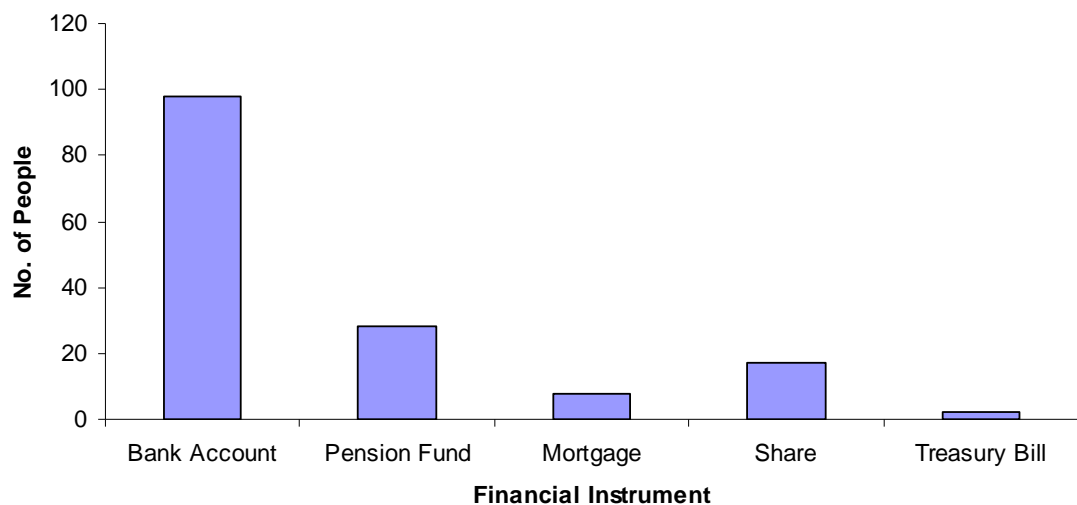
**Table 4.4:** Distribution of Respondents by their Annual Income (Malawi Kwacha)

<b>INCOME PER ANNUM</b>	<b>FREQUENCY</b>	<b>PERCENTAGE</b>	<b>CUMULATIVE PERCENTAGE</b>
12,000,000 - 50,000,000	1	0.9	0.9
1,000,000 - 12,000,000	20	18.5	19.4
500,000 - 1,000,000	20	18.5	38.0
200,000 - 500,000	19	17.6	55.6
60,000- 200,000	19	17.6	73.1
30,000 - 60,000	12	11.1	84.3
5000- 30,000	17	15.7	100.0
Total	108	100.0	

Table 4.4 shows that all the seven income categories had approximately the same number of respondents excluding the highest level of income bracket of 12,000,000 to 50,000,000 Malawi Kwacha per annum.

#### 4.2.5 Financial Instrument Held

The researcher also considered that holding of financial instruments was a significant indicator of one’s entrepreneurial outlook and ability within the limits of one’s income and knowledge about available investment opportunities (UK, Financial Service Authority (FSA), 2005). Figure 4.2 presents the findings in this context.



**Figure 4.2:** Bar Graph showing distribution of Financial Instruments held by Respondents

The most common financial instrument held by the respondents was a Bank Account this was at 91%. This was followed by a Pension Fund at 26%. While very few of the respondents held Treasury Bills (2%). There was a very uneven spread between those having a Bank Account and those having other types of financial instruments.

The study also assessed the level of ownership of assets through the programme as it related to the financial instruments that the respondents held, see Table 4.5 below.

**Table 4.5:** Cross Tabulation of holding of Financial Instrument and owning of assets

	<b>FINANCIAL INSTRUMENT</b>	<b>OWNERSHIP OF ASSETS</b>
1	Share	53%
2	Treasury bill	50%
3	Mortgage	38%
4	Pension fund	15%

Table 4.5 shows that 53% of the respondents who were already owning shares tended to also own assets through the privatisation programme, this was followed by 50% Treasury Bills, 38 % Mortgages, and the least being those owning a Pension Fund at 15%.

#### 4.2.6 Cross Tabulation and Chi-Square Tests of Socio-economic characteristics of respondents and aspects of participation in privatisation programme

Table 4.6 shows the socio-economic characteristics of the respondents in relation to public participation in the privatisation programme using Cross Tabulation and Chi-Square Tests results. To assess this relationship the following elements of participation were looked at knowledge of the work of the Privatisation Commission, involvement in activities of the Privatisation Commission, knowledge of government's intervention for encouraging public participation in the privatisation programme and actual ownership of assets through the programme.

**Table 4.6:** Checkbox on the relationship of public's socioeconomic characteristics and aspects of participation in the privatisation programme (using Cross Tabulation and Chi-Square Test Results)

Socioeconomic Characteristic	Knowledge of Commission Activities	Engagement with the Commission	Knowledge of government's intervention	Ownership of Assets
Gender	√	×	×	×
Education	√	√	√	×
Income	×	×	×	√
Age	×	×	×	×
Possession of Bank Account	×	×	×	×
Possession of Pension Fund	√	×	√	×
Possession of Mortgage	×	√	√	×
Possession of Share	√	√	√	√
Possession of Treasury Bill	√	×	√	×

The results in Table 4.6 show that education and financial instruments, specifically shares were related to the most number of elements of participation followed by possession of pension fund, mortgage, and Treasury Bill. While the gender and income of the respondent was related to the least number of elements of public participation in the privatisation programme. On the other hand the results show that the respondent's age and their having of a Bank Account were not related to their participation in the programme (see Appendix III, Section 7.3 for actual Cross Tabulation and Chi-Square Test Results).

### 4.3 THE LEGISLATION FRAMEWORK OF THE PRIVATISATION PROGRAMME

The privatisation programme was implemented within a legislative framework which consisted of the Privatisation Act and the Capital Market Act among others. However it was found that several guiding modalities were provided for in the Privatisation Act for ensuring that the public participate in the programme as covered in the following section:-

#### 4.3.1 Principles guiding implementation of the privatisation programme

It was found that for the privatisation process to be undertaken in a fair, transparent and accountable manner, and in part in order to facilitate maximum participation by the public, the Privatisation Act stipulated particular guiding principles to be followed by the Privatisation Commission in the privatisation process. These included the following:

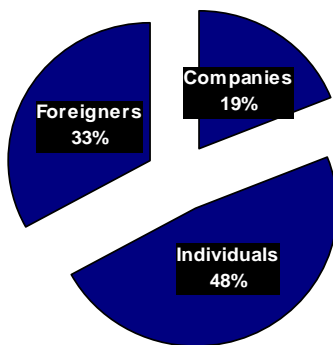
- a). *Openness about the privatisation process*: this would be assured by a two-stage action. The first was by advertising in line with existing regulations of public enterprises to be privatised both in the Malawi press and the Government Gazette (GOM, 1996, p. 12). Secondly producing an *information memorandum* for every transaction, this is a profile of every public enterprise to be privatised. This is meant to provide interested parties in public enterprise being privatised a basis for coming up with an investment decision on an enterprise.
- b). *Fairness and efficiency in the privatisation process*: this would require, first, that an independent opinion of value be obtained for each enterprise to be privatised (GOM 1996, p. 10); secondly, that full disclosure of the details of the enterprise be available to the investing public; and lastly, that fair and equitable bidding procedures and criteria for ranking bids be established and publicised (GOM 1996, p. 3).
- c). *Transparency*: this required that completed transactions of privatisation be fully transparent to the public at large. To that end, the Commission is duty-

bound not only to publicise details of all completed activities of the privatisation programme but also to make participation in the programme open to all investors of all ethnic groups or source of capital (foreigners or local), (GOM, 1996, p. 3).

- d). *Promotion of participation by the Malawian public at large:* the shares or assets of certain enterprises are to be made available at a discount to citizens of Malawi. Where discounts were available, this would be publicised in invitation for competitive bids. A pre-condition of the discount being granted is that the shares or assets be subsequently retained for a period of not less than two years (GOM 1996, p. 11).

#### 4.4 OVERALL OWNERSHIP OF PRIVATISED ENTERPRISES

The findings show that during the ten (10) year implementation period of the programme, sixty five (65) out of the one hundred (100) enterprises in the divesture plan had been privatised. These comprised 31% in the Agriculture sector, 24% and 23 % respectively in the tourism and manufacturing sectors, and the remaining 12 %, in the financial sector (GOM, Privatisation Commission, 2007). The share distribution of such ownership between foreigners, companies and Malawian individuals is as reflected in Figure 4.3.



**Figure 4.3:** Pie Chart for Privatised Enterprises by type of majority shareholding

Note: Adapted from Malawi Privatisation Commission Impact Assessment Study Final Report, Volume 1, (p. 43).

As shown in Figure. 4.3, ownership based on shareholding shows that the Privatised Enterprises were majority-owned by Malawians. This comprised of (19%) corporate shareholders and (48%) individual (Malawian) shareholders. The remaining (33%) was foreign-owned. Although majority shareholding in privatised enterprises was Malawian as regards to owning privatised enterprises individual Malawians mostly gained control of small businesses, most of which were privatised through Management Buy-Outs (this method of privatisation involves the selling of an asset to the already existing management of the organisation) or by direct sales. Table 4.7 shows some of the privatised enterprises and the type of ownership.

**Table 4.7:** Selection of Privatised Enterprises and type of ownership

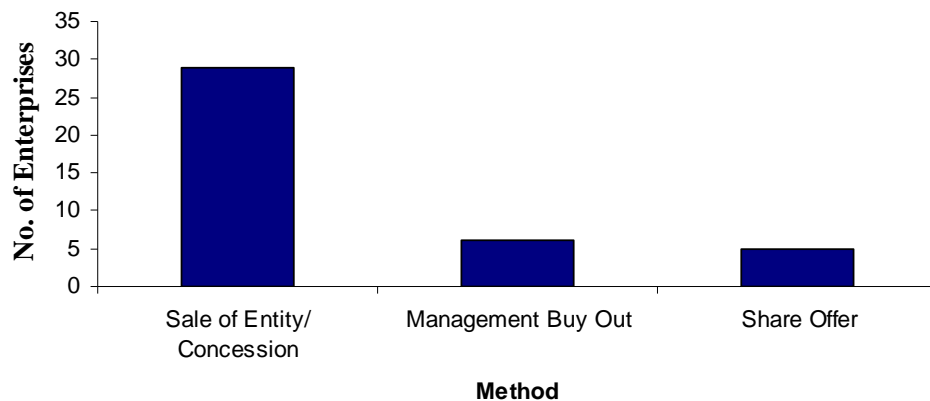
NAME OF ORGANISATION	BUSINESS ACTIVITY	OWNER
Agrimal Malawi Limited	Manufacturing of Agricultural Tools and Equipment	Local
Alexander Forbes	Insurance Broking and Risk Management	Local
Auction Holdings	Agricultural Trading Company and a Tobacco Supplier	Local
Blantyre Lodge	Accommodation and Restaurant	Local
Bwemba Farm	Dairy Training Farm	Local
Chemical and Marketing	Agricultural and Industrial chemicals, Pharmaceuticals lubricants	Local
Chintheche Inn	Accommodation and Food	Foreign
Dwangwa Cane	Sugar Cane supply	Local
Dzalanyama and Kachere Lodge	Accommodation	Foreign
Hotel Masongola	Hospitality and Accommodation	Local
Kasungu Inn	Hospitality and Accommodation	Local
Kuchawe Trout Farm	Trout farm and recreational picnic area	Foreign
Likhula Lodge	Self Catering Guest House	Local
Luwawa Lodge	Government Rest House	Foreign
Malawi Cargo Centre Limited	Cargo Handling	Foreign
Mchenga Coal Mines	Coal	Foreign
Mpwepwe Boat Yard	Wooden Boat Manufacturing	Foreign
Malawi Lake Services	Lake passenger and Cargo Services	Foreign
National Bank of Malawi	Commercial Banking	Local
National Insurance Company	Insurance Services	Local
New Building Society	Mortgage Products	Foreign
Nedbank Malawi	Trade Finance facilities both imports and exports	Foreign
New Capital Dairies	Milk products	Local
Oil and Protein	Cooking Oil Production	Foreign
Packaging Industries	Manufacturing of Paper Based Packaging Materials	Foreign
Portland Cement Company	Cement Manufacturer	Foreign
S and A Cold Storage Malawi	Meat Storage	Local
Safari Beach Lodge	Accommodation and Recreation	Foreign
Small Holder Coffee Farmers	Coffee green beans production	Local

Table 4.7 shows that foreign ownership was mostly in the more strategic investment sectors such as finance, for example New Building Society and Nedbank. Other

sectors which also had a lot of foreign investors were tourism, mining and construction.

#### 4.5 METHODS USED FOR PRIVATISING ENTERPRISES

It was found that several methods were used for privatising enterprises in the programme, some of this were through sale of the entity, such as in the case of Mapeto (DWSM) Limited, and Malawi Telecommunication Limited (MTL); through concession such as Central East Africa Railways (CEAR), and Protea Hotel Limited; through Management Buy Out (MBO) for example Lilongwe Cold Storage Company Limited (LLCS) and Soche Tours and Travel Limited (STTL); and through share offer such as the case of government stake in Standard Bank Malawi Limited and Illovo Sugar. Figure 4.4 shows some of these methods and the extent to which they were applied to privatise enterprises.



**Figure 4.4:** Bar Graph showing privatisation methods used for privatising some enterprises

The most frequent method used for privatising public enterprises was through Sale of Entity or Concession: twenty-nine (29) companies were privatised using this type of method. While there was not much disparity in the use of MBO and Share Offer methods for privatising public enterprises, as six (6) companies were privatised by MBO method and five (5) were privatised by Share Offer method.

## **4.6 PUBLIC PARTICIPATION IN THE PRIVATISATION PROGRAMME**

The study sought to investigate the following three major aspects about participation of the Malawian public in privatisation:

- The extent to which individuals had knowledge about the privatisation programme through access to information, so as to enable them to effectively participate in the privatisation process discussed in Section 4.6.1.
- The individuals' level of involvement in the privatisation programme in general to the extent that it targeted public participation discussed in Section 4.6.2.
- The extent to which the public had acquired assets in the privatised enterprises through the programme discussed in Section 4.6.3.

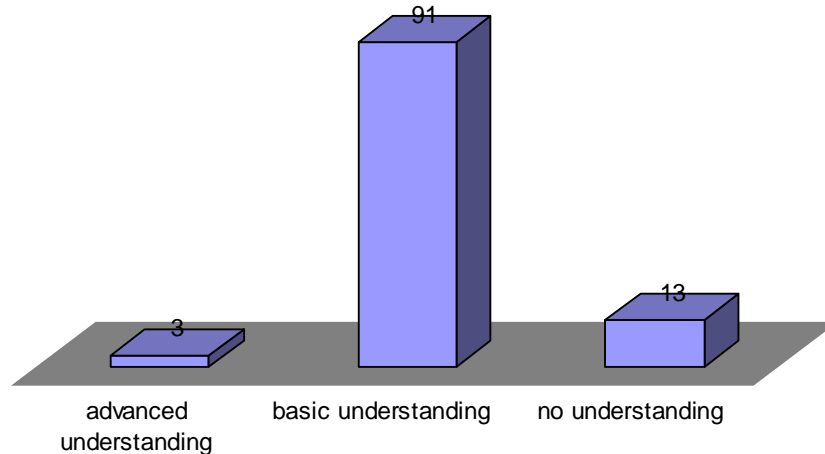
On the basis of the above aspects, the research findings were as follows.

### **4.6.1 Public's awareness and understanding of privatisation and about the privatisation programme**

It was considered important that the first stage-prerequisites to participation in the privatisation process consist of two stage elements. One was whether or not one had heard about the privatisation programme. The other was the extent to which one understood what privatisation means, whether conceptually or specifically and about what the privatisation programme entailed.

In relation to the first element of awareness, all the respondents stated that they knew or were aware of the privatisation programme as they had heard about it. However, on the second element of the extent of one's understanding of privatisation, the study found that this was limited. On the basis of a list of definitions of privatisation, which ranged from the basic to the advanced understanding of the meaning of privatisation, almost all of the respondents knew what privatisation was. However, by far the majority of them (85% overall) were limited to the basic definition option which defined privatisation as, *selling of government property, organisations, shares to the*

*private sector and individuals*, while only less than (3%) of them knew the advanced definition of privatisation which defined privatisation as *the deregulation of government regulation in the economy to allow an increase in the private sector role*. The rest (12%) indicated no knowledge of what privatisation meant. Figure 4.5 presents the knowledge spread among the respondents.



**Figure 4.5:** Bar Graph showing respondents' level of understanding of the meaning of privatisation

#### **4.6.2 Engagement of the public with the Privatisation Commission and aspects of the implementation of the privatisation programme**

The second aspect, enquiring about the respondents' knowledge concerning the privatisation programme, contained three specific elements. One related to their knowledge about the work of the Privatisation Commission. The second related to whether they had ever been involved in the Commission's activities, and the last was whether they knew of any intervention of government aimed at increasing participation of the Malawian public in the privatisation process.

It was found that, while most of the respondents (76%) did know about the work of the Commission, only (6%) of them had been involved in some activity by the Commission and that only (18%) of them indicated they knew of some intervention by government aimed at increasing Malawian participation in the privatisation

programme. Respondents indicated that they knew about this aspect in the form of both the information and the credit facility provided by government through the Privatisation Commission to the public. Cross Tabulation and Chi-Square Tests were used to assess these three elements to their relationship to actual ownership of assets in the privatisation programme. Table 4.8 shows the Cross Tabulation of knowledge of the work of the Privatisation Commission and owning of assets through the programme.

**Table 4.8:** Cross Tabulation of knowledge of the Commission’s work and owning assets

<b>KNOWLEDGE OF THE WORK OF THE PRIVATISATION COMMISSION</b>	<b>OWNING OF ASSETS THROUGH THE PRIVATISATION PROGRAMME</b>	
	<b>YES</b>	<b>NO</b>
<b>YES</b>	81%	76%
<b>NO</b>	19%	24%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>

Table 4.8 shows that 81% of respondents who had knowledge of the work of the Privatisation Commission actually went ahead to own assets through the programme.

The Chi-Square Test Results show that there is no relationship between knowledge of privatisation commission’s work to owning of assets through the programme.

$$X^2(df=1, N=105) = 0.181, p > 0.05.$$

However further analysis shows that there is a relationship between involvement in activities of privatisation programme and owning of assets through the programme.

$(df=1, N=106) = 23.108, p < 0.05$

There is also a relationship between knowledge of the intervention by government to encourage public participation in privatisation programme and owning of assets through the programme.

$X^2(df=1, N=106) = 4.908, p < 0.05.$

The rather low public awareness on the work of the Privatisation Commission suggests that while the Commission may have adequately publicised its existence, its level of engagement with the public might have been rather limited. This is in spite of the evidence that the Commission had been running a television programme series on the privatisation programme as well as having a communications department through which it made available for public consumption a lot of documents on the programme.

#### **4.6.3 Extent of individuals acquisition of assets in privatised enterprises**

In the context of the above aspects of awareness and understanding about privatisation generally and the programme specifically, the research investigated the extent to which the respondents had participated in the programme by acquiring assets in privatised enterprises. The research also investigated the form of assistance the respondents required and obtained from government to that end and even reasons for not participating if they had not.

In the context of the above lines of enquiry, the study found the following situation among the respondents:

- a). Only 12% of the respondents had acquired assets through the privatisation programme. These were made up of the 11% who had acquired shares and 1% who had acquired fixed assets (the government also disposed of houses and farms). However none of the respondents had acquired a previously State-Owned Enterprise (SOE).

b). The assistance that the public received and in other circumstances may have been sought from the Privatisation Commission to facilitate their acquisition of assets in the privatisation programme were in the following forms:-

- *Credit*, this was offered to individuals subscribing for shares. Malawi government assisted some Malawians who wanted to buy shares through a Special Fund which had been set up to provide credit to enable Malawians to purchase shares made available through the privatisation programme (Mawindo, 2001). The conditions to access these loans were that:
  - a) The fund may only be used to lend money to Malawian citizens who have incomes of no more than K10, 000 per month,
  - b) The maximum loan to any one individual is limited by the borrower's ability to repay, based on a multiple of earnings, with an overall maximum of K20, 000,
  - c) Applicants for a loan are required to contribute 10 percent of the purchase price of the shares or asset that they would like to purchase,
  - d) The fund manager holds the share certificate (together with a blank signed share transfer form for possible use if the borrower defaults on loan repayments),
  - e) The rate of interest is 15 percent per annum.<sup>1</sup>
- *Information about the privatisation programme*, which the Privatisation Commission provided on enterprises being privatised bordering on eligibility criteria, enterprises being privatised and their schedule and even relevant regulation and guidelines for investors wanting to invest.
- *Management advice*, this included providing to potential investors details of all business records and books of accounts, investment plan of the business, and register of its fixed assets, just to mention a few.

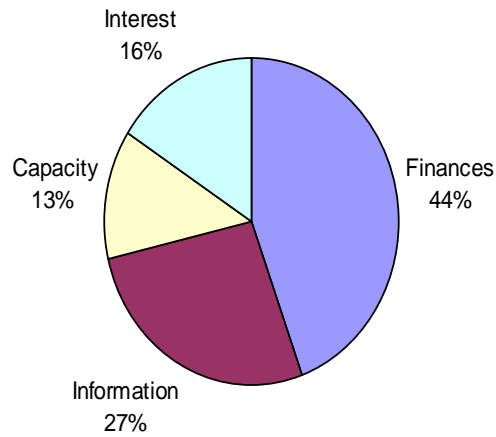
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<sup>1</sup> The then current base-lending rate was at 45%.

- *Training in operating of businesses, and entrepreneurship*, this included conferences, short courses, attachments in business skills organised by the Commission or assisted by other bodies in the public and private sector for those wanting to invest through the programme.
- *Partnership options*, this included negotiating and creating of strategic grouping of investors involved in the same investment sector and even joining investors to strategic foreign investors to form joint ventures.

Based on the forms of assistance that the public had access to and may have required for them to participate in the programme the public that indicated to have been assisted through credit was at 4 %, information (5%), training in operating a business and entrepreneurship was at 2%, and management advice was 1%. In the same vein no individual indicated to have been assisted through partnership options.

- c). Considering that the majority of the respondents had not participated in the programme by not acquiring any assets in the privatised enterprises, the enquiry was directed at the reasons for their failure to participate. The following aspects of limitations were indicated: lack of finances (44%), lacking information (27%), having no interest to participate in the programme (16%) and lack of capacity (13%). This pattern of responses is also presented in Figure 4.6.



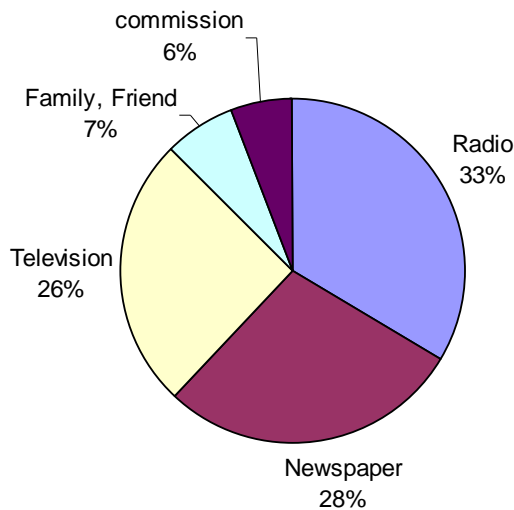
**Figure 4.6:** Pie Chart showing reasons for non-participation

Figure 4.6 shows that lack of finances was the most frequent reason given for non-participation. This was followed by lack of information, while lack of expertise in managing an investment was the least reason given for non-participation in the programme.

#### **4.7 THE PUBLIC'S SOURCES OF INFORMATION ON THE PRIVATISATION PROGRAMME**

The study was based on an acknowledgement of the fact that any knowledge an individual had about the privatisation programme was based on some information obtained from some source. The information on privatisation would then be critical to whether individuals participated in the programme. Through such information individuals would acquire knowledge on issues such as the specific requirements for them to participate in the programme, available entities in which they could invest in and even available services being provided by the Privatisation Commission to assist their participation in the programme among others. This information would therefore provide individuals with the relevant platform for them to participate in the programme. The study found three main sources of information about the programme by the public which were mainly:-the media, the Privatisation Commission, and

family/friends. Figure 4.7 below shows the public's source of information on the existence of the privatisation programme.



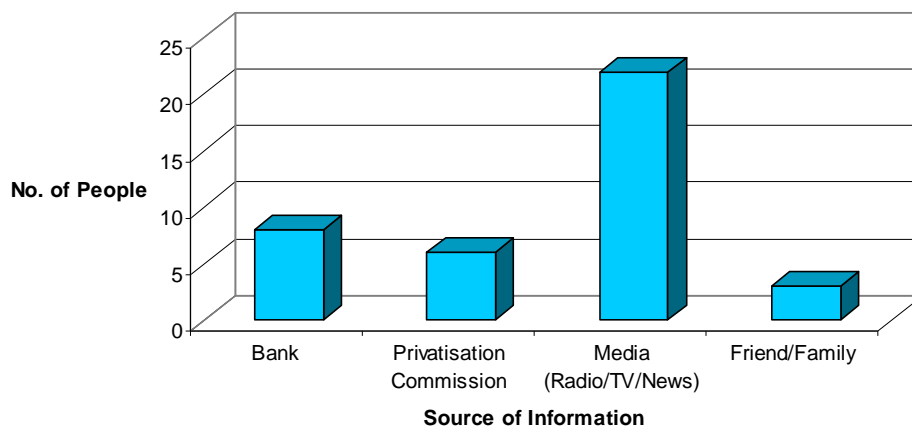
**Figure 4.7:** Pie Chart showing the public's source of information on privatisation

The findings show that by far the major source of the respondents' awareness and knowledge about the privatisation programme was the mass media (87%). In this case, the radio was the main source at 33%, followed by the press (newspapers) and television, at 28% and 26% respectively. This left the Commission and family/friends as the least category sources, at 7 % and 6% respectively.

In this context, the primary source of information about the privatisation programme was the Privatisation Commission, acting as the programme implementation body. However this information was communicated to the general public through various media. The findings show that the most frequently used, and the most important, was the mass media of communication, comprising the radio, television, and the press (newspapers). Thus the media was the most effective method by which the privatisation programme was publicised to the wider public. The second was the Commission's direct communication with the public, through making available

appropriate documents about the programme to the public. In addition, the Commission also organised stakeholder meetings to discuss the progress on the implementation of the programme. The last method through which information on the programme was disseminated was passing and sharing of the information amongst family/friends (colleagues), such as family members, and workmates.

Based on the above communication framework, the research further enquired about how specifically the public got to know about government’s intervention to encourage them to participate in the programme, such as loans. The findings show that, the mass media was still the main source, followed by, the commercial banks and the Privatisation Commission, with family/friends having been the least source. This situation is presented in Figure 4.8.



**Figure 4.8:** Bar Graph showing sources of information on government’s intervention to encourage participation

The Media was the most common source of information on government’s intervention of encouraging public participation in privatisation (56%). This was followed by the Bank (21%), the Privatisation Commission at 15% while the least source of information was the Friend/ Family (8%) category.

#### **4.7.1 Relationship of public’s source of information and the actual ownership of assets through the privatisation programme**

To assess if there was any relationship between where the public got information about the privatisation programme from (sources of information) and their consequent ownership of assets through the programme, Cross Tabulation and Chi-Square Tests

were used. Table 4.9 shows the Cross Tabulation of sources of information and ownership of assets through the programme.

**Table 4.9:** Cross Tabulation of sources of information and ownership of assets

SOURCE OF INFORMATION	OWNING OF ASSETS THROUGH THE PRIVATISATION PROGRAMME	
	YES	NO
<b>Radio</b>		
Yes	87%	89%
No	13%	11%
<b>Total</b>	<b>100%</b>	<b>100%</b>
<b>Newspaper</b>		
Yes	69%	76%
No	31%	24%
<b>Total</b>	<b>100%</b>	<b>100%</b>
<b>Television</b>		
Yes	56%	70%
No	44%	30%
<b>Total</b>	<b>100%</b>	<b>100%</b>
<b>Privatisation Commission</b>		
Yes	38%	12%
No	62%	88%
<b>Total</b>	<b>100%</b>	<b>100%</b>
<b>Family/Friend</b>		
Yes	6%	20%
No	94%	80%
<b>Total</b>	<b>100%</b>	<b>100%</b>

The Cross Tabulation in Table 4.9 shows that the respondents who ended up owning assets through the privatisation programme had gotten information of the programme from the radio: this was made up of 87% of the respondents. This was followed by newspaper and television sources at 69% and 56% respectively. While the Privatisation Commission and the family/friend (colleague) sources were the least sources of information used these were at 38% and 6% respectively.

Table 4.10 shows Cross Tabulation and Chi-Square Test Results of the sources of information as they relate to aspects of participation in the privatisation programme. The following elements of participation were looked at, knowledge of the work of the Privatisation Commission, involvement in activities of the Privatisation Commission, knowledge of government’s intervention for encouraging public participation in the privatisation programme and owning of assets through the programme.

**Table 4.10:** Checkbox on the relationship of sources of information and aspects of participation in privatisation programme (using Cross Tabulation and Chi-Square Test Results)

<b>Source of Information</b>	<b>Knowledge Commission Activities</b>	<b>Engagement with the Commission</b>	<b>Knowledge of government’s intervention</b>	<b>Ownership of Assets</b>
<b>Radio</b>	√	×	×	×
<b>Newspaper</b>	√	×	×	×
<b>Television</b>	×	×	×	×
<b>Privatisation Commission</b>	×	√	√	√
<b>Family/Friend</b>	×	×	√	×

Specifically Chi-Square Tests in Table 4.10 show that, the radio followed by the newspaper, Privatisation Commission and the family/ friend sources of information were related to an aspect of participation, whereas there was no relationship of television information source to any aspect of participation (see Appendix IV, Section 7.4 for actual Cross Tabulation and Chi-Square Test Results).

The radio and newspaper sources were related to the aspect of making respondents aware of the work of the Privatisation Commission. While the Privatisation Commission as a source of information was related to respondent’s involvement in activities of the Privatisation Commission, their knowledge of government’s intervention for encouraging public participation and owning of assets in the privatisation programme. Finally the family/friend source of information category was related to knowledge of government’s intervention of encouraging public participation in the programme.

## 4.8 THE STOCK MARKET AND PRIVATISATION

In Malawi, the Stock Exchange was put in place among other things to enable privatisation, in cases where the method of privatising enterprises was through public offering. The results do show that this was indeed achieved, with eight companies listed on the Stock Market having been privatised companies as can be seen in Table 4.11 which shows companies listed on the Malawi Stock Exchange (MSE) from 1996 to 2006.

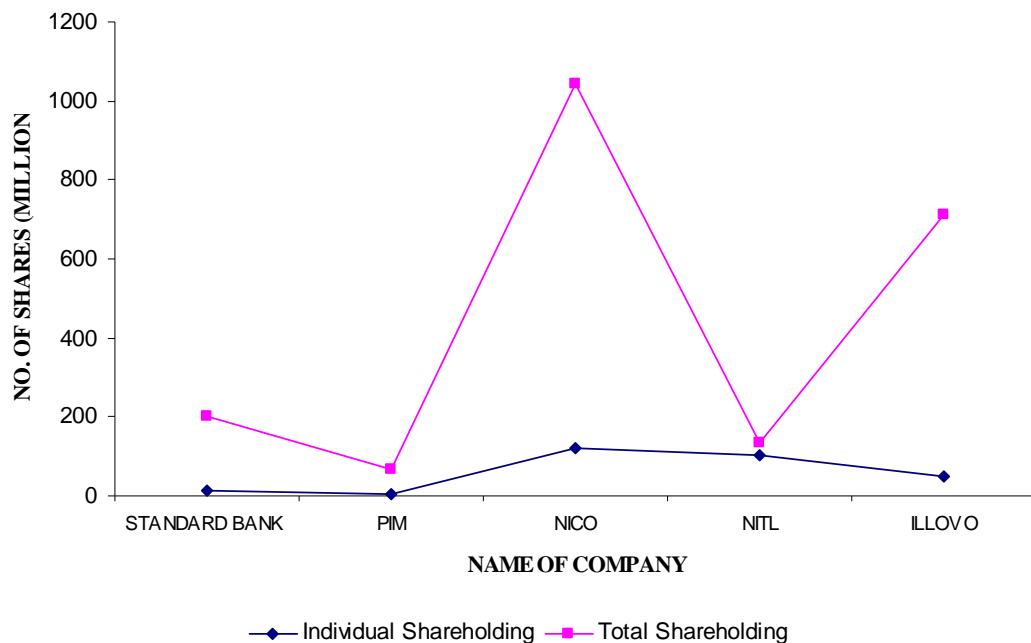
**Table 4.11:** Listed companies on the Malawi Stock Exchange

ENTERPRISE	WHETHER LISTED AS PART OF PRIVATISATION	DATE OF LISTING	MARKET CAPITALISATION (MK'm)
Press Corporation Limited (PLC)	Yes	Sep-96	10,638
National Insurance Company (NICO)	Yes	Nov-96	3,39
Blantyre Hotels	No	Mar-97	384
Illovo Sugar Malawi (formerly Sugar Corporation of Malawi)	Yes	Nov-97	33532
Stanbic Bank Malawi (formerly Commercial Bank of Malawi)	Yes	Jun-98	5300
Packaging Industries Malawi (PIM)	Yes	Aug-98	286
National Bank of Malawi (NBM)	Yes	Aug-00	13,669
National Investment Trust Limited (NITL)	Yes	Oct-02	1161
Sunbird Hotels	Yes	Dec-02	785
First Merchant Bank (FMB)	No	Jun-06	9790
<b>Total domestic market capitalisation</b>			78934
Old Mutual (cross listed at MSE)	No	Oct-99	1,150, 304
<b>Total Market Capitalisation</b>			1,669,238

Note: Adapted from Malawi Privatisation Commission Impact Assessment Study Final Report, Volume 1, (p. 83).

Furthermore through the MSE, companies were provided with another source of capital other than credit, since the companies were able to offer shares on the Exchange. This also attracted the listing of other private companies on the stock exchange such as the First Merchant Bank and Old Mutual Limited because of reduced levels of risk in listing on the exchange as shown in Table 4.11.

The observation by the Privatisation Commission is that the Initial Public Offers (IPOs) have been responsible for the development of the MSE and have contributed to the national savings of the country. However the findings show that the level of individual share ownership is still very low compared to the total share ownership of companies (made up of corporate, foreign owned and individual shareholding). Figure 4.9 shows the shareholding of Malawian individuals (excluding foreigners) as compared to total shareholding of companies.



**Figure 4.9:** Linear Graph showing shareholding of individuals as compared to total shareholding of some listed companies

Figure 4.9 shows that individual shareholding was much lower than that of total shareholding for privatised listed companies. National Insurance Company’s (NICO’s) individual shareholding was 12% of total shareholding, for Illovo this was at 7% however for National Investment Trust Limited (NITL) individual shareholding was 77% of the total shareholding of NITL. NITL had more individual shareholding because it was used as reservoir for shares for the public.

## **4.9 THE PUBLIC AND STAKEHOLDER ASSESSMENT OF THE PRIVATISATION PROGRAMME**

Apart from the findings given above this study further considered the views of the public and the stakeholder organisations on the implementation of the privatisation programme. In this section, the public's views are first presented followed by the stakeholder organisations views.

### **4.9.1 The Public**

The public responded on several aspects surrounding the privatisation programme, such as what the respondents liked about the implementation of the privatisation programme and how best to implement the programme. In addition they also assessed the privatisation process and how the privatisation programme could be better organised.

#### **4.9.1.1 The facilitating role of the Privatisation Commission**

The public was asked to assess the extent to which, based on their own experience and views, the Privation Commission had acted to enable the public to effectively participate in the privatisation programme. The responses were mixed and so was the basis for their views. The findings indicate that a minority (15%) of the respondents felt that the Commission had performed satisfactorily in enabling the public to effectively participate in the programme. According to this group of respondents, there were several reasons cited for their view. The first was the Commission's communication strategy which had focused on informing the public about the benefits of privatisation. Secondly, the Commission's method of communicating the message involved use of the media to ensure that the public was widely communicated to. Thirdly, Government had made available for disposal a wide range of assets and enterprises. Fourthly, most of the shares offered had been over-subscribed, and lastly, there was a Special Fund created by which the shares were offered at discount prices.

As for the majority of the respondents (85%), their view was that the Commission's performance could have been better. This group felt that the Commission's effectiveness in enabling public participation in the privatisation programme was

much lower than it ought to have been, in several respects. In the first place, communication was limited to the urban population. This is in the sense that both the media and the capacity to access such information were mostly urban and socio-economically elite-based. Secondly, the majority of the population did not have the financial capacity to participate. In the context of these two issues, some respondents felt that the programme actually targeted a minority of the public, whose financial and technical knowledge enabled them to benefit from it, by their privilege of qualification, and access to institutional financial services. The overall result was that the programme had specifically, if not only, benefited both this minority group and foreign investors.

#### **4.9.1.2 Positive and Negative aspects about the Privatisation Programme**

In the context of the respondents overall judgement about the privatisation programme having been effective or not effective in promoting Malawian participation, the study enquired as to what the respondents considered to be positive and the negative aspects about the programme. Most of the responses on specific aspects were in contrast.

One positive aspect mentioned was the fact that the programme accorded equal treatment to both foreign and local investors. However, this equal treatment was viewed as not being good by others, as they felt that it compromised the programme's ability to maximise the public's investment response.

Secondly, respondents commended the Privatisation Commission's high level of transparency, citing such aspects as publishing annual statements of accounts and advertising the list of enterprises to be privatised. However, other respondents felt that transparency efforts were nevertheless limited. They cited lack of disclosure applying to the manner in which investors had earned their assets and lack of information about the criteria used for awarding of shares.

Thirdly, respondents considered as commendable and satisfactory the Commission's effort to encourage and promote public participation. They cited sufficient information made available through the mass media, and the loan facility that

facilitated the public to acquire shares. However, some felt such efforts did not go far enough to achieve enough public participation.

Lastly, respondents considered the use of information technology for the design and availability of application forms for those wanted to benefit from the special fund as a positive aspect, in facilitating access to the application forms. However, others felt that these forms had been limited in number: since the Commission would often run out of application forms while people still wanted to apply for shares in entities that were being privatised.

#### **4.9.2 Stakeholder Organisations**

The stakeholder organisations view of the privatisation programme was based on the fact that these organisations were responsible for facilitating and supporting the operations of the private sector and therefore were consequently in a position to impact on the privatisation programme. The stakeholder organisations included Privatisation Commission, Malawi Confederation of Chambers of Commerce and Industry (MCCCI) and Malawi Investment Promotion Agency (MIPA) assessments. The stakeholder organisations assessed and commented on several issues concerning the privatisation programme on government's effectiveness in facilitating public participation; ways of improving public participation in the programme; status of ownership of assets through the programme; and factors they felt were facilitating or constraining the public's participation in the programme. Stakeholder assessments were considered important as these organisations' role and work in the business sector was also impacted by the privatisation programme.

##### **4.9.2.1 The Privatisation Commission**

In providing its assessment of the performance of the privatisation programme, the Commission primarily sought to clarify the attributes of the programme and explain the issues which some members of the investor community had raised as concerns. By implication, the Commission also sought to defend its handling of the privatisation process.

The major issue the Commission dwelt on, of which the Commission stated it was well aware, was with regard to a perception that it tended to favour foreign investors. It cited such cases as David Whitehead and Sons (the textile manufacturing company, sold to the Mapeto Consortium) and the Grain and Milling Company (sold to the Tanzanian Bakhresa Group).

In clarifying the issues and defending its point of view, the Commission stated and argued that the negative sentiments had no objective basis as far as the design and implementation of the privatisation programme was concerned. To this end, the Commission stated that the competition platform was equal to all interested investors, regardless of origin. In this context, it was a case that other things being equal, foreign investors had an investment advantage over local investors, while the latter were unable to take full advantage of provisions made to favour them. To this end, the Commission cited the following aspects:

- a). During the ten year period (covered by this study) foreign firms had submitted better technical bids and had sufficient financial resources to bid for higher prices than Malawian entrepreneurs. Additionally, foreign investors tended to have the advantage of having large manufacturing and financial sector companies, with 46% of their deposits in the hands of foreign-controlled banks. This in part was an assurance that they had the capacity to manage the large privatised enterprises, at least, even to higher capacity levels.
- b). In spite of the above, the Commission had made provision of reserved shares in the large privatised enterprises to be sold to Malawians, which were previously in the hands of NITL. This indeed resulted in sizeable numbers of Malawians having indirect stake in a number of major corporations. In spite of this, however, local investors generally were unable to fully participate in the programme on account of practical limitations. For instance though NITL which was privately operated: was established by government with the purpose of ensuring that more individuals participate in the privatisation programme. The public did not have a complete understanding of NITL's operations and reasons for its establishment (GOM, Privatisation Commission, 2007). Other limitations included the public's lack of access to capital to finance their acquisitions; low domestic savings; little

and less affordable long-term debt finance; shortage of managerial and technical capacity.

#### **4.9.2.2 Malawi Confederation of Chambers of Commerce and Industry (MCCCI)**

In its assessment of the privatisation programme, MCCCI's view was that the programme had been well formulated and implemented. However, it had not managed to increase economic players in the economy significantly. In its view, any problem of non- participation by the Malawian public was mainly of the circumstances relating to the public itself.

In MCCCI's view, the government's public awareness programmes through the Privatisation Commission were a major facilitating factor for public participation in the privatisation programme. However, the fact that public response was relatively low was significantly due to two main circumstances. One of these was the nature of the business culture, rooted in Malawi's economic history where the public sector owned most of the large-scale businesses. The public tended to have simply accepted this situation as the norm. As a result, they tended to lack the spirit of aggressiveness necessary for taking advantage of the benefits offered by the privatisation programme. Secondly, even where the public had the drive to benefit from the programme, they still faced the constraint of insufficient capital capacity with which to acquire assets in the privatised enterprises.

#### **4.9.2.3 Malawi Investment Promotion Agency (MIPA)**

MIPA's assessment of the privatisation programme was also based on the facilitating and constraining factors to public participation. On the positive aspects of the programme, MIPA's view was that public participation in the programme was mostly through buying of shares in the privatised enterprises, in this context a satisfactory environment had been created for information sharing that ensured that the public was well aware of what was on offer and how. Public participation was ably facilitated by several provisions, a clear and intentioned legal framework; awareness campaigns and information widely communicated through the press and telecommunication media to potential investors.

MIPA, however, had reservations about particular aspects, which could be responsible for significantly limiting vibrant public participation. MIPA focused on those legal aspects and policy instruments that it felt have a significant contribution to limiting vibrant public participation in the programme. MIPA also focused on the policy environment and economic conditions prevailing under the period of study and its possible impact to the extent of public participation in the privatisation programme. Specifically, these were the Investment Act, the Company Act and the public enterprise policy, all of them being largely inappropriate for the new business environment, as they had not been reviewed for several years. This was considered to pose significant challenges for local investment, in the sense that, the business environment had changed over the years but not commensurate to its legal framework. Furthermore the legal instrument on the privatisation programme did not differentiate between the local and the foreign investor, for purposes of promoting the former, considering that the local investor faced a clear practical disadvantage in the context of perfect competition. Typically, the potential Malawian investor was characterised by limitations in acquiring, managing and expanding an enterprise in such forms as capital capacity, risk-taking culture and technical capacity.

The poor micro-economic conditions such as the high inflation and high interest rates prevailing during the ten (10) year period of implementation of the privatisation programme (1996-2006) also cumulated to there being little impact made on the business sector as a result of the privatisation programme. Since the high interest and inflation rates were very inhibiting for local investors to venture into new business opportunities.

#### **4.10 CONCLUSION**

The findings of the study show that public participation in the programme was facilitated by government through its legal framework comprising the Privatisation Act and even through the implementing body of the Privatisation Commission. In addition government's intervention through the Special Fund proved to be very instrumental in providing the public with the opportunity for their participation. However, the findings of the study also show that the extent of the public's ownership

of assets through the programme was limited. Finally the findings show that the MSE played a pivotal role to levels of public participation while on the other hand the media and Privatisation Commission had a large impact on providing information so as to encourage the public's participation in the programme.

## **CHAPTER FIVE**

### **DISCUSSION OF FINDINGS**

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#### **5.1 INTRODUCTION**

This chapter presents a discussion of the findings of the study. Section 5.2 covers the patterns of public response in the privatisation programme. Thereafter, the analysis dwells on an attempt to explain the likely determinants of the public's response in the privatisation programme. Beginning with Section 5.3 the facilitating environment; consisting of external factors impacting public participation in privatisation and Section 5.4 the internal factors impacting public participation in privatisation. Section 5.5 explains the reasons for limited participation in the programme. The chapter concludes with Section 5.6.

#### **5.2. PUBLIC RESPONSE PATTERNS IN THE PRIVATISATION PROGRAMME**

This section discusses the overall ownership of privatised companies; ownership of assets by individuals through the privatisation programme; and methods for privatising previously owned government enterprises.

##### **5.2.1 Overall Ownership**

Data collected from the Privatisation Commission show that overall ownership of all privatised enterprises by shareholding was in three categories, namely corporate, individual and foreign ownership. The majority shareholding was individually (Malawian) owned, nineteen (19) percent was owned by corporate shareholders, thirty-three (33) percent was foreign owned and forty-eight (48) percent individual (Malawian) shareholders. Individuals invested in various sectors ranging from agriculture, accommodation, banking and food manufacturing sectors, while foreign investment was to a large extent in the finance, tourism, mining and construction sectors.

Overall, the majority of individual ownership was in shareholding. The reasons for such an ownership pattern could be that share ownership provided an easier investment avenue in the context of its attributes of affordability, lack of bureaucracy, the relatively low level risk associated with shares, and the fact that it required no prior special expertise as an investment option. Nevertheless, this meant that many of the privatised enterprises, especially the larger ones, came to be owned by the larger investors, who were mostly foreign, and therefore, the Malawian public's participation was generally low. This low participation level is confirmed by statistics of individual local shareholding of privatised companies listed on the Stock Market, which indicate that such participation has been much lower than the total shares offered in such companies (GOM, Privatisation Commission, 2007). Observations made by several stakeholders were that in most cases individual investors lacked capacity as they did not have access to adequate finance capital for strategic businesses and even more, technical capacity to run big investments. In this case the mining sector was one such sector in which there were no local investors through the privatisation programme.

Even though the majority of ownership through privatisation was through shareholding, individuals also owned whole business entities and fixed assets such as houses and farms through the privatisation programme. Findings showed that foreign ownership in whole business entities was in the sectors of tourism, finance, mining and manufacturing, while local ownership was also in tourism, agriculture, accommodation and finance just to mention a few. The ownership of whole business entities through the programme showed that foreign ownership was mostly in the more strategic business sectors, while local ownership was in relatively small enterprises.

The findings in Chapter Four also show that seventy-two (72) percent of privatised enterprises were privatised through Sale of Entity or Concession privatisation method, while enterprises privatised using Management Buy Out (MBO) and Share Offer privatisation methods was at fifteen (15) percent and thirteen (13) percent respectively. In addition the findings show that individual participation was dominated in enterprises that were privatised using MBO and Share Offer privatisation methods.

### **5.2.2 Individual participation**

Data collected from the participants of this study show that the public's participation in the privatisation programme consisted of three areas as follows:-

- i. public's awareness of the privatisation programme
- ii. the public's institutional interface with the implementing body the Privatisation Commission
- iii. the public's asset ownership through the privatisation programme

The study shows that eighty-two (82) percent of the participants were aware of the privatisation programme while eighteen (18) percent were not aware. The public were generally aware of the programme as they had at least heard that government was implementing a privatisation programme in the country.

The study also found that even though seventy-six (76) percent of the respondents had knowledge of the work of the Privatisation Commission and eighteen (18) percent of the participants had knowledge of governments' intervention mechanisms to encourage their participation in the privatisation programme, only six (6) percent of the respondents had been involved in an activity with the Privatisation Commission.

The findings further show that twelve (12) percent of the respondents managed to own assets through the programme, where eleven (11) percent were in the form of shares while one (1) percent was fixed assets, however there was no ownership of a previously State Owned Enterprise (SOE).

The results presented above indicate that participation of the public, consistently decreased with each level of participation. For example while there was an overwhelming general awareness about the privatisation programme, a much fewer section of the public had knowledge of the work of the Privatisation Commission and had ever been involved in any aspect of the work of the Privatisation Commission, this was even much lower for individuals who actually had acquired assets in privatised enterprises, reasons for this state of affairs emanated both from the

environment within which the privatisation programme was implemented and the public's personal conditions.

### **5.3 FACILITATING ENVIRONMENT CONSISTING OF EXTERNAL FACTORS IMPACTING ON THE PUBLIC'S PARTICIPATION**

The findings of the study show that participation in the privatisation programme by the public was affected by both external and internal factors. External factors affecting the participation of the public were the institutional framework of the programme which contained the legislative framework; the management support systems role of the Privatisation Commission; information system of the programme; professional stakeholder role; and the stock market support environment. While internal factors covered the individual level factors of the respondents such as their gender, education, income, holding of financial instrument and their interest to participate.

#### **5.3.1 External factors impacting on public participation in privatisation**

The study found that participation by the public was significantly determined by the available institutional mechanisms put in place to provide for the public's participation and the extent to which the public understood the privatisation system and provisions facilitating their participation. These institutional mechanisms comprised mainly the privatisation legislation, the work of the Privatisation Commission and other state agencies, support from stakeholder professional bodies as well as the information communication systems through mass media. The discussion examines issues of how well these respectively played the facilitative role for participation, in the context of their objectives and practical limitations.

##### **5.3.1.1 Institutional framework**

The study found that the institutional framework of the programme such as the legislative framework, the Privatisation Commission through its management and implementation of the programme, facilitated and in other cases limited the public's participation in the programme.

###### ***a. The legislative framework***

The practice of implementing privatisation programmes by countries has been to have specific legislation on the programmes (Welch, & Fremond, 1998); Malawi's privatisation programme has followed this practise. The study found that one of the external factors that facilitated public participation in the privatisation programme was the privatisation legislation, put in place within which the privatisation programme was implemented. The Privatisation Act was enacted with the purpose of facilitating the actual implementation of the privatisation programme as discussed in Chapter Four, Section 4.2.

In the case of the public's participation in the programme, legislation was of particular importance to ensure that the individuals actually participate in the programme even though they were competing with larger and even more experienced investors. The findings showed that this legislation proved to be essential for impacting on public participation agreeing with the macro perspective view of political participation theory, which argues that system-wide sets of rules impact participation (Bratton, 1999). The provisions and guidelines provided for in the actual implementation of the privatisation programme through legislation were necessary as they facilitated the public to be part and parcel of the programme. The guidelines for the implementation of the privatisation programme ensured that there was transparency, openness, fairness, accountability, and that the public be informed on the programme. The Privatisation Act in Section 43 subsection 3, and Section 44 provides for the production of annual and progress reports on the privatisation programme to enhance such openness, transparency and accountability to the public. Among others this served to make people informed and knowledgeable of what was happening in the programme and the opportunities available for the public to participate. The legislation went further to ensure that bidding procedures were both fair and efficient thus ensuring that there was no bias in choosing of investors, so that some investors did not end up benefiting more than other investors. The benefit of having legislation on the privatisation programme, ensured that inherently aspects of participation be embodied in the legislation such that in the end the programme was legitimised. Agreeing with observations by (Renn, Webler, and Wiedemann, 1995 as cited in *Prior Scholarly work on Public Participation*, n.d.) that participation by citizens is

important for legitimisation of government policy and programmes, furthermore participation by the public also ensures government accountability.

Furthermore the Privatisation Act had specific provisions to ensure that the public participate. Section 30 of the Privatisation Act gives provision for shares to be offered on discount to Malawians based on prescribed guidelines. This was operationalised through the National Investment Trust Limited and the Special Fund. Section 38 also provides for publication of information on the privatisation programme to the public. The Privatisation Commission used different media sources to transmit information on the privatisation programme also enhancing public participation. In addition the Privatisation Act was also important to the extent of participation in the programme, because this also ensured the establishment of the body responsible for implementing the privatisation programme on behalf of government and stipulating its role, and the parameters within which it would operate.

The Privatisation Commission's role was to actually ensure that the privatisation programme was implemented as provided for by existing legislation. Therefore, ultimately the extent of information in the hands of the public which would translate into their participation was depended on the Privatisation Commission. In addition the Privatisation Commission was also responsible for the effectiveness and efficiency of the implementation of interventions of government targeting the public's participation.

The public observed that the Privatisation Act provided an equal platform to both local and foreign investors. For some this was commendable while other individuals felt that this was not good for encouraging public participation in the programme. Despite having legislation that encourages public participation in the programme the study found that there was limited participation of the public in the programme, with some individuals feeling that foreign investors were preferred over local Malawians. The Privatisation Commission argued that reasons for this were actually because of better bids put forward by foreign investors, and that their sources of financing for their business were more reliable because of their connection with international credit institutions.

This means that conducive legislative alone is not enough in order to encourage the participation of the public. Therefore a lot needs to be done by the Privatisation Commission to enable the public to participate to a greater extent. Government intervention of discounting share prices proved to be effective but the intervention did not go far enough to address the participation levels of the public.

Furthermore since previously owned public enterprise would be offloaded into private hands this would affect the whole business environment as the market forces would be allowed to operate more than before, necessitating the need for other legislation in the private sector to be reviewed. Therefore other legislation in the business sector would also need to be responsive to this occurrence. In Malawi the enacting of the Capital Market Act was quiet commendable however the non-reviewing of the Company Act was otherwise challenging for the programme as pointed out by MIPA.

***b. The management support systems - the Privatisation Commission***

As discussed earlier the Privatisation Commission is the main institution mandated to implement the privatisation programme. The Privatisation Commission's role for the public's participation was to provide the necessary mechanisms for their participation through the Privatisation Commission's management and operation of the privatisation programme. The findings in chapter four show that there were three management support areas that encouraged the public to participate in the programme such as:-

- i. Informing the public on the role and activities of the Privatisation Commission by making various literature available to the public such as information brochures, annual reports and even carrying out radio and television programmes on privatisation. The aim being to make the public knowledgeable and informed about the programme. The study found that eighty-one (81) percent of respondents who had knowledge of the role and activities of the Privatisation Commission ended up owning assets through the programme confirming that the public's knowledge of the work of the

Privatisation Commission had the effect of causing individuals to participate in the programme.

- ii. Engaging the public in the activities of the Privatisation Commission through conferences and seminars among other activities of the privatisation programme. The study found that thirty-one (31) percent of respondents who were involved in activities with the Privatisation Commission ended up owning assets. Bratton (1999) argues that in the case of participation, the role that institutions play have been underemphasised and misinterpreted. The body of knowledge of participation points out on the need not just to have institutions that are created for the purpose of enhancing citizen's participation these institutions should be effective. Krishna (2003) argues that the effectiveness of the institutions that implement programmes of government in enhancing participation is where citizens have faith in and are engaging in large numbers in the activities of such institutions. The macro- perspective of participation theory views institutions as the Privatisation Commission as being determinates of the extent of peoples participation.

Therefore more engagement of individuals with the Privatisation Commission would have been important as this would have helped individuals to better understand the programme. Individuals would have better understood how the programme was being implemented, how to participate and the available opportunities for them to participate. Other advantages of participation as it relates to the implementing body are that if people were involved in its activities and programmes, the public would consider the Commission to be responsive and accountable (*Prior Scholarly work on Public Participation*, n.d.). Furthermore participation at this level also causes government programmes to be considered as legitimate.

- iii. The study found that thirty-eight (38) percent of the respondents having knowledge of governments' intervention mechanisms aimed at encouraging their participation ended up owning assets through the programme. Government through the Privatisation Commission put in place a credit facility for encouraging the public's participation referred to as the Special

Fund, which helped to subsidise the share price. The procedure was that people applied for the shares through the bank and automatically qualified for this Fund. This may mean that the general lack of awareness and knowledge among individuals of the work of the Privatisation Commission and some aspects of the programme such as government's intervention in the programme resulted in failure to facilitate the public's actual ownership of assets through the programme.

Despite the management support mechanisms provided by the Privatisation Commission, overall their impact on the public's participation in the programme was limited. Notwithstanding that the use of media to take across the privatisation programme was advantageous as it provided coverage to the whole country while being quite affordable. In addition, government intervention for generating participation was very successful in terms of the loan system through the Special Fund. However, the Special Fund did not reach enough beneficiaries of the programme even after using a quota system to allocate the loans when privatising specific enterprises (where credit facility was available all those applying were given the same amount although if an entity was oversubscribed not all benefited because of the limited nature of the funds). Furthermore, the amounts disbursed through the Fund were small amounts that only assisted the beneficiaries to acquire shares. There was also lack of a beneficiary selection criteria system used on actually accessing this fund that in the end left the fund to potential abuse. It was also observed that applications for shares for entities that were being privatised far exceeded the number of shares available. Thus most people ended up not participating even though the Privatisation Commission rationed the shares to allow more people to buy them.

#### **5.3.1.2 Non utilisation of the Professional stakeholders of the privatisation programme**

Organisations such as the Malawi Confederation of Chambers of Commerce and Industry (MCCCI), and Malawi Investment Promotion Agency (MIPA) which are responsible for among others training investors in business skills, information provision on business and identification of partnership options for investors would have played a very important role in the privatisation process. This was the case as the study did not find a framework linking these organisations to the programme.

Given the important role of the professional stakeholder organisations in the private sector, it is apparent that they needed to have played a supportive role in the privatisation programme. This would have ranged from information provision, to providing the much needed interface with the public as regards to the privatisation programme on behalf of the Privatisation Commission.

The role of these organisations would have been the following:-

- training potential investors wanting to invest through the privatisation programme in business skills;
- providing strategic linkages to local investors with foreign investors for public participation to be in more strategic sectors; and
- connecting local investors with International credit companies so that individuals are empowered to participate at the corporate level.

The role of the stakeholder organisations in encouraging participation in privatisation programme was limited as there was no proper linkage of the privatisation programme and these other existing organisations. However these organisations were important to the privatisation programme specifically, concerning public participation in the programme as they would have filled the existing gaps as regards to the implementation of the programme.

Makonnen (1999) argues that participation methods are important as they also determine the extent the public can participate in privatisation programmes. The Privatisation Commission in partnership with stakeholder organisations would have explored other privatisation methods such as, joint ventures and Direct Group Ownership. This would have provided opportunities for individuals to invest in strategic and large enterprises, where in normal circumstances they would not have been able to do so.

### **5.3.1.3 Information Communication System**

The findings of this study show that the extent of the public's participation in the programme would be depended on among other things, whether the public was aware

or had knowledge of the privatisation programme. The communication strategy adopted by the Privatisation Commission for people to be informed of the programme was the use of media (radio, television, newspaper) which was used to create publicity of the programme. The Commission itself carried out activities targeting the public through meetings, conferences and also made available various publications. Based on this, the study found that the public's source of information on the programme for them to be aware and knowledgeable of the programme was from the media (this comprised of the radio, press and television), the Privatisation Commission itself, and family/friends. The banks were also a source of information as they were used for accessing the Special Fund. Of these four sources of information the study found that the media was the most common source through which the public became aware of the programme, as eight-seventy-seven (87) percent of the respondents source of information on the privatisation programme was the media. This was followed by the Commission and family/friends categories at seven (7) percent and six (6) percent respectively. Communication Research theorists have identified media use as important for people to participate in issues (Naewon and Nojin, 2003)

Within the media category, the radio as a source of information on the programme comprised thirty-three (33) percent, this was followed by the press (newspaper) at twenty-eight (28) percent and television at twenty-six (26) percent. The study therefore found that the radio was the most common source through which individuals became aware of the privatisation programme.

Furthermore the findings of the study show that the media was still the most used source of the public's information on other aspects of the privatisation programme, such as government's intervention to encourage the public's participation in the programme. For example, the study found that fifty-six (56) percent comprised media use, followed by the Bank twenty-one (21) percent while the least source of information was the family/friend eight (8) percent category. These findings are consistent with theorists in communication research whose findings indicate that use of media affects a person's response to issues (Pierce, Lev-Sammons, Steger & Lovrich, 1990, as cited in Moy et al 2005). The statistical analysis in Chapter Four shows that the information that the public obtained on the privatisation programme

through the radio, newspaper, Privatisation Commission, and Family/Friend sources of information led to their participation in the programme.

The reason why the radio was the most frequently used source of information used by the public to know about privatisation can be varied ranging from the fact that a radio is easily available to every household in the country. The use of the radio to transmit information on the privatisation programme was therefore advantageous as it provided coverage to the whole country while being quite affordable. In addition the radio uses simple methods of communicating to the public e.g. it is mostly less technical. It also airs programmes frequently which make it easier for people to become aware of issues: this is what is referred to as media exposure (Moy et al, 2005).

The study findings however showed that information that the public obtained from the television on the privatisation programme did not lead to their participation therefore showing a negative relationship between participation and television use. These findings agree with other theories such as negative impact of time displacement hypothesis and the mean world effect hypothesis. These theories state that television use does not enhance participation because on the one hand people spend too much time in front of the screen to the extent that they have no time to participate in other fora, while on the other hand the television exposes people to negative aspects of life, such as it being mean and scary, people therefore end up being less trusting and less willing to be involved (Naewon and Nojin, 2003). Whereas the theory of communication argues that television use does not enhance participation as it requires little cognitive effort which in turn does not cause people to gain knowledge that would enable them to participate in policy (Moy et al, 2005). For instance one can be in front of the television set watch a programme and actually not gain any new knowledge. In the study the negative relationship of television use and participation in privatisation programme among other reasons can also be attributed to the fact that owning a television set especially for the period under review was a luxury for most households and therefore this made a television only accessible to few households.

The findings of Chapter Four show that the communication strategy put in place by the Commission, which involved use of the media was particularly essential for transmitting information on the privatisation programme. However in the case of the

privatisation programme, the findings show that the levels of participation in the programme were very low despite the existing communication strategy. Varying reasons for this state of affairs have been given, such as the public pointing out they felt that the media and capacity to access information were urban and socio-economically elite-based. Agreeing with these observations, literature argues that there are several dimensions of media consumption behaviour. Apart from media exposure, which is associated with how frequent people are exposed to a message on a media, there may have been other reasons why the use of the radio in this study dominated as the public's source of information on the privatisation programme. Participation as a result of media will also depend on other dimensions such as reliance, content use, attention and gratifications (Moy et al, 2005). Therefore it was not only about using the media for transmitting information on the programme, also important were issues such as the content that was covered, an individual's level of focus and mental effort used in the process of hearing the information. Some theorists therefore observe that results of media dependence are therefore contingent, to the context in which the media is used and even audience segment (Moy et al, 2005).

Naewon and Nojin (2003) argue that talking between families and friends impacts one's participation in issues. Krishna (2003) points out that interaction at the level of family/friend category is at the meso-level of the theory of participation. This level of participation operates in community groups and in social networks. The findings of this study showed that this source of information was not used often as a source of information on the privatisation programme. The reasons why this category was not the popular source of information for the public on privatisation can be varied, such as that people's interaction might not be frequently based on issues of government policy. In addition, that privatisation was not a story worthy item for people to talk about.

#### **5.3.1.4 The Stock Market**

The findings of this study show that the privatisation programme brought about Stock market development. Stock market development is measured by the increase in the number of listed companies, in market capitalisation and market liquidity (Chiesa & Nicodano, 2003). This is the case as the findings have shown that the establishment of

the stock market in Malawi was expedited to run concurrently with the privatisation programme. The study found that the stock market provided an avenue through which public enterprises would be privatised and also provided mechanisms for the public to participate through subscription of shares.

The existence of the stock market therefore provided an avenue through which a larger section of the public participated in the privatisation programme. The stock market played a critical role for individual participation in privatisation as the findings of the study were that public participation was dominated by ownership of shares as compared to other assets. Furthermore through the programme, the number of listed companies increased on the stock market because of privatising these public enterprise using Public Offer method. The findings show that seventy-three (73) percent of listed companies on the stock market in 2007 had been listed wholly or partly as a result of privatisation. The listing of public enterprises on the stock market had also the effect of attracting private companies to list on the stock market such as listing of Blantyre Hotels and First Merchant Bank. This increase in companies listed on the stock market through the privatisation programme and those that were private limited companies led to the increase of liquidity and capitalisation on the stock market.

The study therefore confirms that privatisation is able to impact on stock market development. Chiesa and Nicodano (2003) argue that enhanced domestic investors participation increases market liquidity and therefore stock market development. This is mainly because market participation is vibrant where there is a variety of assets available for trading on the market. Also enhanced domestic investors participation reduces cost of capitalisation of companies. Therefore privatisation programmes contribute to stock market development because through privatisation assets available for trading on the market are diversified. Also the number of local investors increase as the programmes aim is to attract a large number of investors using under pricing, fixed-price and rationing (as was the case with Malawi) methods of offering shares (Chiesa & Nicodano, 2003).

The advantage of companies listing on the Stock Market was that listing provides the much needed capital finance for their business enterprise, while on the other hand the

enterprises have corporate responsibilities such as reporting to the public their yearly statements of accounts. In Malawi the role of the privatisation programme to stock market development however was limited. This is the case because firstly, although the privatisation programme was able to increase trading activity on the market, the trading levels were still limited. This state occurred because of the small size of the private sector, coupled with small number of companies privatised through IPO, this was at twelve (12) percent compared to seventy-three (73) percent of privatised public enterprises using Sale of Entity or Concession methods.

In addition the products available on the stock market were also limited giving the people no choice of how to invest. This was in part, because of the slow nature in which the government and the business sector in Malawi have adopted new ways of business operations on the market. Commensurate to this was the archaic laws that regulated the business sector in the country.

Furthermore the level at which individuals had acquired shares through privatisation was much lower than the total shareholding of the privatised companies, showing that, although participation in privatisation in Malawi has been mainly attributed to share acquisition this was also at very low levels. In addition to the fact that a lot of people failed to participate even when they had interest to do so as most of the shares were oversubscribed. This may be attributed to the small size of the financial sector and the financial sector preference to have more shares in the hands of corporate investors for better stability of their companies.

#### **5.4 INTERNAL FACTORS IMPACTING ON PUBLIC PARTICIPATION IN PRIVATISATION CONSISTING OF INDIVIDUAL LEVEL FACTORS**

The study findings show that, apart from the public's knowledge of the work of the Privatisation Commission, their involvement with the Privatisation Commission and knowledge of governments' intervention mechanisms to encourage their participation in the privatisation programme; the public's gender, education level, their ownership of a financial instrument and their interest to participate also impacted on their participation.

### **5.4.1 Gender**

The findings of this study show that participation of the respondents in the privatisation programme was related to their gender. More male respondents participated in the programme as compared to their female counterparts. For instance sixty-nine (69) percent of male respondents compared to thirty-one (31) percent of female respondents participated in the privatisation programme by owning assets. As regards to understanding the work of the Privatisation Commission and its role in relation to the privatisation programme the findings show that sixty-eight (68) percent of male respondents had knowledge of the Privatisation Commission's work compared to thirty-two (32) percent of female respondents, and sixty-seven (67) percent of male respondents had been involved in an activity with the Privatisation Commission compared to thirty-three (33) percent of female respondents.

Men participated more in the programme than women, in all the levels of participation and ended up actually owning more assets through the programme. Scholars have come up with varying reasons for the disparity between the participation of men and women in the public sphere. The major reason being that women in our societies have limited or no access and control over resources as compared to their male counterparts. Other reasons for the disparity between men and women in participation range from issues of culture and religion. For instance women themselves sometimes lack confidence, have low levels of education and are disinterested to participate (Singh, 2006).

### **5.4.2 Education Level**

The findings of this study show that participation of the public in the privatisation programme was related to their education level. Education was important to the public's response to the programme as those who had higher levels of education also participated more agreeing with theorists who have shown that there is a positive relationship between education and participation (Gleason, 2001).

The reason for the importance of education in the participation of the programme would be because of the fact that privatisation was a relatively new phenomena as explained in Chapter Two Section 2.4.5. For one to participate in the privatisation programme, they required to be literate as it involved in some cases providing bids and in others using the banks. Theorists advance the case for the impact that education has on participation pointing out that education is important to participation as educated individuals have greater awareness of government activities and have more advanced opinions about issues (Nolan-Abrahamian, 2007).

### **5.4.3 Financial Instrument**

The findings of this study show that holding of a financial instrument was important to determine someone's ownership of assets through the programme. Specifically those owning a high-risk financial instrument were more likely to own assets through the programme as compared to a low-risk financial instrument such as a bank account.

The relationship between the owning of a financial instrument and participation in the privatisation programme was attributed to the fact that owning financial instruments exposes one to available investment opportunities in the financial market. This would therefore make someone engage in privatisation at different levels because of the already existing knowledge they have through owning a financial instrument (UK, FSA, 2005).

The individual level characteristics such as gender and education and income did affect participation in the Malawi privatisation programme. Confirming with theorists of participation, who explain how individual level factors or description of a population affect participation (Gleason, 2001; Almond & Verba, 1965; Bennett & Bennett, 1986; Lipset, 1960, 1994; Rosenstone & Hansen, 1993; Verba et al., 1971, 1978 as cited in Krishna, 2003), The study also carried out an extension by assessing holding of financial instruments by individuals and their participation to privatisation programme which also showed to have a positive relationship in this regard.

## **5.5 REASONS FOR LIMITED OR NON-OWNERSHIP OF ASSETS THROUGH THE PROGRAMME**

There are a number of advantages of participating in the privatisation programme, these include providing a sure way of saving ones money; a quick way for some to make wealth, especially for speculators; and offering an investment opportunity for Malawians to own businesses that were formally in government hands.

Despite these advantages the findings of the study show that there were very low levels of participation in the privatisation programme. The study found the following reasons for this limited participation, lack of finances in the form of low levels of domestic savings and low level long debt finance at very exorbitant rates; lack of information; lack of interest; lack of capacity (bordering on limited skill in managerial and technical know-how as compared to foreign investors).

The study also found that another reason for low levels of participation and in other cases non-participation was the inhibiting business environment, which characterised high inflation levels and interest rates during the period under review. These macroeconomic conditions were a challenge for the operation of businesses let alone investing in new business ventures.

Lack of finance, in forms of capital finance, domestic savings, and credit was the major reason for limited levels of ownership of assets in the programme. This was the case because participation hinged on whether one had finances or not. Lack of information was also one of the greatest challenges to the public's participation in the privatisation programme. Availability of information to people on government programmes and policy is important as it determines their level of engagement in activities put forward by government. In the case of the privatisation programme, this determined to a great extent the level of individual participation in the programme.

While the level of those who did not have interest to participate was also very high, pointing to the fact that the culture of Malawians was not risk taking. The lack of an entrepreneurship spirit could be explained by the history that Malawi is emanating from, which was characterised by government controlled businesses and resources of production. The consequence to such a historical background is also the problem of capacity. There was a skills gap that existed in the business sector; the private sector

lacked well trained investors and entrepreneurs for there to be a vibrant privatisation programme in Malawi.

## **5.6 CONCLUSION**

This study concludes that to a large extent government's objective of increasing public participation in the programme was not achieved in the ten years of implementation of this programme. However those benefitting to a great extent were corporate and foreign investors who seemed to be better placed as they had access to finance capital and technical expertise. At the corporate level companies also benefitted through listing on the stock market. Therefore as much as government through the Privatisation Commission put in place mechanisms to promote increased public participation in the programme this however to a greater extent had limited impact.

Through this study it can also be concluded that public participation in the privatisation programme has both external and internal determinants, as has been explained in Section 5.2.1. The study shows that external determinants alone cannot effectively impact on the public's participation in the programme. Therefore good legislation, availability of management and support systems, and public and private support organisations alone would fall short in ensuring that the public participate. What comes to light is that the internal determinants also have to be synchronised in this process. This means while on the one hand good legislation and other external determinants are working to ensure the public participate, on the other hand the public itself should be willing, have appreciation and understanding of issues, and should be convinced of the need to get hold of opportunities that are available for them through the programme. Needless to say is that in such an environment the lubricant that is needed to make things work efficiently and effectively is availability and access to adequate information to the public that will work towards motivating, equipping, and confidence building so that the public invest through the programme. The study has shown the pertinent role that use of effective media has on providing such information. Therefore for government to achieve even higher levels of public participation in the programme there is need for deliberate strategies where the external and internal determinants are both targeted

## **CHAPTER SIX**

### **CONCLUSION AND RECOMMENDATIONS**

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#### **6.1 INTRODUCTION**

This chapter covers the conclusion of the study. Section 6.2 covers the summary of the study framework. Section 6.3 covers the summary of the study findings. Section 6.4 the recommendations of the study. Section 6.5, areas for further research and the chapter concludes with Section 6.6.

#### **6.2 SUMMARY OF THE STUDY FRAMEWORK**

The study sought to assess the extent to which Malawi's privatisation programme had managed to promote participation by public. The study focuses on the first ten years of the programme's implementation (1996 to 2006) and on those members of the public who were in formal employment and had minimum level of education of Malawi School Certificate of Education (MSCE) or its' equivalent. The focus on the latter group was considered to be significant primarily in testing responses from a socio-economic group that has relative capability attributes for participation. Such attributes comprise, better understanding about what privatisation entails, based on higher educational and professional standing, better access to mass media information and higher and regular income standing through employment status.

In conceptualising the determinants of participation, the study considered several major aspects. The first was the institutional framework of the privatisation programme consisting of the legal framework and the management support system of the privatisation programme, to the extent that it provides not only mechanisms and encouragement for the public to participate in the programme but also an assurance that the privatisation process is well communicated, is transparent and is conducted in a fair, non-discriminatory and accountable manner. The second was the aspect of knowledge. Whether the public had enough knowledge with which a decision to participate could be made. This was considered to be based on sufficient knowledge

about the privatisation programme, derived from, and assessed on the basis of, a combination of knowledge about what privatisation entails, awareness about the privatisation programme and about how the public could benefit through the programme. Secondly was the aspect of knowledge in the work of the Privatisation Commission and involvement in activities of the Commission. As the latter also served as basis through which the public's interest to participate in the programme could have been generated, by engaging with the implementing body of the privatisation programme personally. The study also focused on the information communication system and the privatisation message communication role played by the mass media, the Privatisation Commission itself and other support organisations by which the public would be effectively informed about the programme. The third aspect examined was evidence of actual participation of the public in the programme, primarily through ownership of assets. The last aspect was an examination of the impact of the privatisation programme on the development of the Malawi Stock Exchange (MSE). Since some public enterprises were disposed of through the MSE, using Initial Public Offer (IPO) method.

The above aspects were considered to be critical variables in understanding the extent to which public participation in the privatisation programme was facilitated and in other circumstances even constrained. This is notwithstanding the fact that the actual response may ultimately have been based on individual attributes regarding: - gender, education, income and holding of financial instruments.

### **6.3 SUMMARY OF THE MAIN STUDY FINDINGS**

The following cover the summary of the main study findings:-

- a. *Very few Malawians participated in the privatisation programme by actually owning assets through the programme.* Public participation in the programme was important as this was one of the objectives of implementing the programme and the focus of this study. Further to this was the practical understanding that in offloading resources from public to private hands a sizeable number of this needed to go into the Malawian public hands, which among other things would have the consequence of legitimising the programme. Participation by the public in the privatisation programme covered three aspects, firstly the awareness and

knowledge of the privatisation programme and privatisation in general; secondly, the knowledge of the work of the Privatisation Commission, the subsequent involvement in its activities, and knowledge in interventions put in place to impact on owning of assets of the public through the programme; and thirdly and finally the actual ownership of assets through the programme. The study found that:- there was general awareness of the privatisation programme; followed by limited knowledge and engagement with the Privatisation Commission; also limited knowledge of government interventions to encourage public participation, to very low levels of ownership of assets through the programme by the public.

- b. *Public participation in the privatisation programme was mainly through buying of shares.* The privatisation programme gave individuals the opportunity to participate by owning assets in three forms:
- i. whole enterprises of privatised enterprises;
  - ii. shares
  - iii. fixed assets

In this context the findings show that very few Malawians participated in the privatisation programme by actually owning assets through the programme. However of these three categories public participation in the privatisation programme was mainly through ownership of shares.

- c. *The public's response to participate in the privatisation programme was impacted by both external and internal factors.* Several factors have been shown to have facilitated participation of the public in the programme. The external factors include:-
- i. provisions and mechanisms provided through the Privatisation Act;
  - ii. the Privatisation Commission's role of implementation of the programme;
  - iii. the media through which information on the privatisation programme was disseminated;

- iv. the Stock Market through which previously owned government enterprises were privatised.

The study also found that participation in the privatisation programme was also determined by the public's internal factors such as:

- i. gender;
- ii. education level; and
- iii. holding of a financial instrument.

The more educated the individuals were the more they participated, while participation was more among male respondents than the female respondents. In addition individuals with high-level risk financial instruments were more likely to own assets through the programme.

- d. *The Special Fund put in place by government was one of the greatest success stories of the programme, as regards to impacting the public's participation.* The Special Fund was a credit facility administered by the Privatisation Commission to assist individuals to subscribe for shares in privatised companies. The mechanisms for such an intervention was provided for by the Privatisation Act and implemented by the Privatisation Commission on behalf of government. This intervention was administered during Public Share Offers. The Special Fund ended up giving opportunity to a lot of individuals to own shares through the privatisation programme.
- e. *The media was the most important tool through which information on privatisation was disseminated. Public participation in the privatisation programme hinged on among other things information pertaining to the programme being available to the public.* The study found that although the sources of information on the privatisation programme were several such as the Privatisation Commission, media, family/colleagues, and the banks. The media which comprised of the radio, television and press (newspaper) was the most effective tool through which the information on the programme was

disseminated. In addition to this was that, the most frequently used media for accessing information on the privatisation programme, was the radio.

- f. *The Privatisation Programme led to the stock market development in Malawi.* The study found that the privatisation programme was responsible for the development of the stock market as it was responsible for increasing, the number of listed companies which resulted in, increased market capitalisation and market liquidity of the MSE. This was the case as the stock market provided an avenue through which public enterprises were privatised through public flotation, consequently also providing avenues for the public to participate.
  
- g. *The major reasons for non-participation in the privatisation programme were because of lack of access to adequate capital finance, lack of adequate information on the programme, limited skill in running large investments and non-risk taking culture of Malawians.* Lack of finance was echoed by the public at large and even stakeholders of the privatisation programme as being a setback for the public to participate. In the same vein was the aspect of information, as a majority of the public felt that they were uninformed to a certain extent about some aspects of the programme. In addition was the relatively low local expertise in operating BIG BUSINESS, coupled with lack of entrepreneurship spirit.

#### **6.4 RECOMMENDATIONS**

Based on the above study findings, the following are the main recommendations:-

- a. *Adoption of other methods used for privatising public enterprises so as to encourage public participation.* Wider Malawian public participation in the privatisation programme was one of the objectives of government for implementing the privatisation programme. Despite this objective, methods that were preferably used for privatising entities were those that had no or little impact on this objective, the study found that seventy-two (72) percent of the privatisation transactions were through Sale of Entity or concession. Furthermore the methods stipulated in the Privatisation Act for privatising government formally owned enterprises which could ensure Malawian wider participation

were few these were, selling of the assets through Initial Public Offer and buyouts either to employees or management. This left the public with few options for participating in the programme. In addition individuals ended up investing in small enterprises as they were unable to invest in larger enterprises, since buyouts in the programme involved smaller enterprises. The study therefore recommends the following:-

- Exploring other methods of privatising public enterprises so that the public are able to participate more in the programme. The government needs to consider using other methods of privatisation such as directed group ownership, employee share ownership and joint ventures.
- Opportunities should be provided for Malawians to invest together with big foreign investors. This would mean Malawians would co- own large investments. Therefore providing the much needed hands on approach for capacity development of Malawians in operating large investments.

b. *Enhancement of capacity building in business operations.* Non-participation in the privatisation programme was partly attributed, among others, to lack of skills in operating and managing investments and business ventures. It is recommended that conscious efforts be made to institute policies and programmes for business management skills development to develop a class of entrepreneurs, from various status backgrounds, in various forms of business, and to capacitate entrepreneurs to graduate to higher levels of business management. An entrepreneurship development policy of this nature could comprise several dimensions. The first applies to requiring employer organisations to incorporate an entrepreneurship development policy and programme for supporting business skills development among their staff. This would involve sponsoring staff requesting such development for training courses at dedicated training institutions. The second applies to having business skills and entrepreneurship development programmes in educational and training institutions, covering both pre-employment and pre-business training and in-service and profession upgrading training. It is further recommended that a training policy should consciously cover all status categories

of entrepreneurs and would-be entrepreneurs, for all level categories of business ventures. Covering both the informal and formal business sectors, and within this dimension, operations at micro, medium and large scale business levels. In the case of the latter, especially, training should also cover knowledge and skills in investing in and running large multinational companies.

- c. *Continued use of media as a vehicle for privatisation programme information dissemination.* The media played a very important role through which the public were informed about the privatisation programme. There were several types of media that were used for accessing information in the programme these had different levels of impact with the radio being mostly used by the public. The study recommends that the existing communication strategy in connection to media use continue to be implemented and that the Privatisation Commission ensures that media use responds to the consumption behaviour of individuals. Since the media provides a most effective avenue for people to participate in policies affecting them, while having the advantage of being cost effective, user-friendly, and being accessible to the whole populace.
- d. *Increase the portfolio of the products on the Stock Market.* The study found that individual ownership of assets through the programme was dominated by share ownership facilitated through the stock market. The study has shown that the stock market was important to the amount of public participation in the privatisation programme. However the availability of shares through the programme was limited, leading to over subscription of shares for several listings of enterprises on the stock market causing some individuals not to participate. The challenge was that there was lack of other products available through which entities could be privatised, while also allowing the public to participate through the stock market. The study recommends that the MSE should also offer other financial instruments for people to invest in. This will in turn also affect the methods used for privatising enterprises thereby further enhancing public participation.
- e. *Reviewing of implementation of the privatisation programme.* The Privatisation Commission carries out periodic investigative research on the implementation of

the programme. However although this is the case the reviews are limited to the issues specific to privatisation, the aspect of public participation is not adequately dealt with. In this context, it is recommended that there be a more comprehensive feedback process especially on the aspect of participation by the public in the programme. The reviews should not be limited to the issues specific to privatisation only, but should also touch on the overall public policy existing in the environment of the privatisation programme in Malawi. The feedback process needs to go a step further by coming up with interventions put in place by the Privatisation Commission in response to specific problems in the programme. There is need for there to be an effort of continuous improvement of the programme so that the public can better understand and be kept abreast on current issues regarding the programme.

- f. *Institutionalisation of the Special Fund facility.* The Special Fund facility was accredited as being very instrumental for public participation in the privatisation programme. However despite its tremendous impact in this area, the intervention had structural weaknesses such as a lack of a beneficiary criterion system. This therefore nullified governments aim to specifically target a segment of the public who would have been marginalised in the sense that they had limited income to enable them participate in the programme. The study recommends that there is need for proper institutionalisation of this intervention so that it is managed and implemented so that there is maximum benefit drawn from it.
- g. *There is need to change the business culture of Malawians.* Malawians non-risk taking business culture, poses as one of the greatest challenges for the growth and development of the business sector in Malawi. As a large section of the Malawian public have a traditionally archaic business orientation. However a significant portion, though still small (urbanites, especially) is growing into the business world. The study therefore recommends that although culture is a phenomenon that needs to be addressed in the long run, all stakeholders in the business sector need to come up with strategies that will effect a culture change in the business orientation of the public.

## **6.5 AREAS FOR FURTHER RESEARCH**

The study is limited in several aspects for purposes of generating a picture about the phenomenon based on a comprehensive examination of the data base. First, it is limited in its geographical coverage, by focusing not only on the urban setting but also, within that, on Blantyre City. Admittedly, Blantyre being Malawi's commercial capital would be considered as sufficiently serving the research representative status. Nevertheless, a wider scope of urban status, by extending to the other cities and especially to the smaller towns, may yield a better data picture about the phenomenon (at least in the context of the same research variables covered in the study).

Secondly, the study has limited its scope of "the public" to employees (in formal organisations). As such, further studies could incorporate other status categories of the public, either in a specific focus or on the basis of a comparative assessment of all defined categories. Such categories include independent entrepreneurs (in formal and informal business ventures) and those who generate incomes from various other means, such as farming, sale of a variety of products and provision of specialised services. Thirdly, further studies would be appropriate in the area of joint-ventures (involving local and foreign ownership or other forms of partnership). It would be interesting to see how and to what extent such situation determines public participation, especially on the basis of the perceived opportunity offered through investment security (in the form finance and technical expertise).

Lastly, as the study is based on processes applicable to the first ten years of the privatisation programme' implementation (1996 – 2006), further studies covering the more recent period might reveal a more applicable situation concerning the nature of the public participation response. It is possible that there have since been some changes in respect of both the management of the privatisation programme and the public response due to this and some economic situations.

## **6.6 CONCLUSION**

The objectives of the privatisation programme in Malawi aimed to bring about the efficient operation of the economy, through allowing the operation of the market, and

thereby encouraging competition and reducing monopoly power. Furthermore were the objectives to generate revenue for government through sale of state assets and finally, increasing Malawian participation in economic activity facilitated through the programme. The study's focus was that of understanding the participation of the public in the programme.

The public responded to the programme, to the extent that some ended up owning assets through the programme. The study found that a majority of the public ended up owning shares through the programme, as compared to the other assets such as whole enterprises and fixed assets. However the levels of actual ownership of assets through the programme were generally very low. In contrast, there was however an overwhelming general awareness of the programme but limited interface of the public with the Privatisation Commission and knowledge of some aspects of the programme.

The response of the public to the programme was affected by both external and internal factors. External factors that impacted public participation were the legislation enacting the privatisation programme; the management support systems provided through the Privatisation Commission as the main implementation body of the programme; the Special Fund; the media through which information was disseminated; and the stock market. The internal factors that affected public participation involved those aspects that were personal to individuals and their participation in the programme. The study found that these were the education level of the respondents, income, gender, and holding of high- risk financial instruments.

Based on the context of understanding public participation in the privatisation programme in Malawi and the increase of participation, the study recommendations are that the use of those aspects of the programme that are enhancing participation of the public in the programme need to continue to be implemented and where shortfalls exist this need to be addressed, specifically the use of the media for information dissemination on the programme and the Special Fund Facility proved in this study to have facilitated public participation. The study also recommends that for public participation to increase there is need to introduce other methods of privatising enterprises, coupled with diversifying the product portfolio of the stock market. In addition there is need for enhanced capacity building to strengthen the business

sector, and to effect a business culture change. The study also recommends that the reviewing of the programme should adopt a holistic approach, while also ensuring that the element of public participation in this exercise is given prominence. Finally there are several areas for further study which can bring in new knowledge of public participation in the privatisation programme. One way would be to increase the locations of the study and scope of definition “the public”. In addition to this would be to assess the prevailing participation of the public in the privatisation programme beyond the 1996 to 2006 period.

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# APPENDICES

## APPENDIX I: QUESTIONNAIRE

### QUESTIONNAIRE FOR THE MALAWIAN PUBLIC

**This Questionnaire is for a research of the University of Malawi the Polytechnic for the qualification of a Master of Business Administration Degree (MBA). The research is titled Malawian Public Participation in the Privatisation Programme. The Questionnaire for this research will be administered to the Malawian public.**

Form No.

Name of Organisation.....

Position Held.....

#### **PART A: PERSONAL INFORMATION**

1. (a) AGE

.....

(b) SEX.

.....

(c) OCCUPATION

.....

2. **EDUCATIONAL LEVEL**

*Please tick what best applies to you*

.....MSCE CERTIFICATE

.....DIPLOMA

.....DEGREE

.....MASTERS

.....DOCTORATE

3. **PROFESSIONAL QUALIFICATIONS**

*Please specify*

.....

4. **INCOME PER ANNUM**

*Please tick the box that applies to you*

.....5000 Malawi Kwacha to 30, 0000 Malawi Kwacha per annum

.....Above 30,000 Malawi Kwacha to 60,000 Malawi Kwacha per annum

.....Above 60,000 Malawi kwacha to 200, 000 Malawi Kwacha per annum

.....Above 200,000 Malawi Kwacha to 500, 000 Malawi Kwacha per annum

- .....Above 500,000 Malawi Kwacha to 1million Malawi Kwacha per annum
- .....Above 1 million Malawi Kwacha to 12 million Malawi Kwacha per annum
- .....Above 12 million Malawi kwacha to 50 million Malawi Kwacha per annum
- .....Above 50 Million Malawi Kwacha per annum

**5. FINANCIAL INSTRUMENT HELD**

*Please tick the box that applies to you*

- .....BANK ACCOUNT
- .....PENSION FUND
- .....MORTGAGE
- .....SHARE
- .....TREASURY BILL
- .....NONE
- (Other Specify)

**PART B**

**AWARENESS AND KNOWLEDGE ABOUT PRIVATISATION AND THE PROGRAMME**

6. (a) Have you heard about privatisation?  
 (b) *If so please tick where you heard it from*

- .....Radio
- .....Newspaper
- .....Television
- .....Family/ Friend
- .....Official from the Commission
- .....Other specify

7. What do you think is the meaning of the term "privatisation"?

*Please tick the box/boxes corresponding to the statement you choose*

- .....Selling of government property, organisations, and shares to the private sector and individuals.
- .....Privatisation is the buying of organisations, shares by government from the private sector and individuals.
- .....Privatisation is the deregulation of government regulation in the economy to allow an increase in the private sector role.

**PRIVATISATION COMMISSION AND ITS ACTIVITIES**

8. (a) Do you know what the Privatisation Commission does (please specify)?  
 (b) Have you been involved in any activities with the Commission (please specify)?

9. Do you know any programme by the Commission aiming at increasing public participation in privatisation?

*If yes to question No. 9*

10. (a) What means/ programmes/methods do you know of?  
(b) How did you hear about these means/ programmes/ methods?

*Please tick box below*

.....Bank  
.....Commission  
.....Radio/ TV/ News  
.....Friend/ Family  
.....Other specify

11. In your opinion has the Commission enabled the increase of public participation in the privatisation programme? Please explain why you think it has or why you think it has not?

### **PART C: YOUR OWN PARTICIPATION**

12. Have you acquired shares, assets, through the Privatisation Programme?

*If yes to question No.12*

- 13 (a) What kind of asset did you acquire?  
(b) What type of assistance did you receive from the Government or Privatisation Commission?

*Please tick the box that applies*

.....Loan  
.....Information  
.....Training  
.....Management Advice  
.....Partnership Options

**Other specify**

*If no to question No. 12*

14. Why have you not participated in privatisation?

*Please tick the box that applies*

.....Lack of finances

- .....Lack of information
- .....Lack of capacity
- .....Lack of interest
- .....Other specify

15. (a) If you had the resources needed for you to participate in the privatisation programme: Would you go ahead to participate?

Please tick the box that applies

- ..... Yes
- .....No

*If yes to question No.15 (a)*

- (b) What kind of asset would you acquire?

16. (a) What things do you like about the manner in which the privatisation process has been conducted?

- (b) What things don't you like about the manner in which the privatisation process has been conducted?

17. What suggestions would you make about how best the Government/ Privatisation Commission could organise the privatisation process and the Privatisation Programme?

## **APPENDIX II: COVER LETTER FOR QUESTIONNAIRE**

Dear Sir/Madame,

I am Gladys Makwakwa (Mrs), a Master of Business Administration student at the University of Malawi, the Polytechnic. Part of the requirement for the fulfilment of the degree is the submission of a dissertation. My dissertation involves a Questionnaire Survey type of research. My research title is: Public Participation in the Malawi Privatisation Programme.

The objective of the research is to find out the extent to which the Malawian public is participating in the Privatisation Programme.

Attached is the Questionnaire for the research that asks a variety of questions about the Privatisation Programme.

Attached is the Questionnaire for the research that asks a variety of questions about the Privatisation Programme. The length of your response to these questions is in no way limited to the spaces provided for in the Questionnaire. Information can be enclosed and/or attached to provide more comprehensive answers. Your response to the Questionnaire will assist in analysing Malawian Public Participation in the Privatisation Programme and I hope provide awareness to stakeholders on government's policy on privatisation and its implementation in this context. You are also welcome to request for the research report once it has been finalised.

I do not know of any risks to you if you decide to participate in this research. I am the only one who is going to have access to your responses, which will remain confidential and private. Names, addresses and other personal/ organisational details will not be identified with you personally, or divulged to another party.

Your participation in this study is voluntary. The decision to complete and return this Questionnaire will be interpreted as an agreement to participate in the research. If you require further assistance or information about the Questionnaire or the research, please contact me using the details below.

Gladys Makwakwa (Mrs)

Telephone: 01773208

**APPENDIX III: CROSS TABULATION AND CHI-SQUARE TEST RESULTS OF THE RELATIONSHIP OF PUBLIC'S SOCIOECONOMIC CHARACTERISTICS AND ASPECTS OF PARTICIPATION IN THE PRIVATISATION PROGRAMME**

Cross Tabulation and Chi- Square Test Results of public's socioeconomic characteristics and aspects of participation in privatisation programme

<b>Description</b>	<b>What the privatisation Commission Does</b>	<b>Involvement in an activity with the Privatisation Commission</b>	<b>Knowledge of Government's Intervention for encouraging public participation</b>	<b>Owning of Assets in the privatisation programme</b>
Gender	$X^2(df = 1, N=107) = 17.117 p < 0.05.$	$X^2(df = 1, N=107) = 0.198 p > 0.05.$	$X^2(df = 1, N=107) = 0.968 p > 0.05.$	$X^2(df = 2, N=107) = 0.968 p > 0.05.$
Education	$X^2(df = 3, N=106) = 8.086 p < 0.05.$	$X^2(df = 3, N=107) = 11.997, p < 0.05.$	$X^2(df = 3, N=107) = 33.198 p < 0.05.$	$X^2(df = 3, N=107) = 4.196 p > 0.05.$
Age	$X^2(df = 6, N=106) = 12.633 p > 0.05.$	$X^2(df = 6, N=106) = 6.042 p > 0.05.$	$X^2(df = 6, N=106) = 10.491 p > 0.05.$	$X^2(df = 6, N=106) = 4.059 p > 0.05.$
Income	$X^2(df = 6, N=106) = 7.246 p > 0.05.$	$X^2(df = 6, N=106) = 11.470 p > 0.05.$	$X^2(df = 6, N=106) = 11.055 p > 0.05.$	$X^2(df = 6, N=106) = 5.129 p < 0.05.$
Financial Instrument				
Bank Account	$X^2(df = 1, N=107) = 0.642 p > 0.05.$	$X^2(df = 1, N=107) = 0.584 p > 0.05.$	$X^2(df = 1, N=107) = 0.297 p > 0.05.$	$X^2(df = 1, N=106) = 0.122 p > 0.05.$
Pension Fund	$X^2(df = 1, N=106) = 4.396 p < 0.05.$	$X^2(df = 1, N=107) = 2.067 p > 0.05.$	$X^2(df = 1, N=107) = 22.839 p < 0.05.$	$X^2(df = 1, N=106) = 0.002 p > 0.05.$
Mortgage	$X^2(df = 1, N=107) = 0.508 p > 0.05.$	$X^2(df = 1, N=107) = 6.143 p < 0.05.$	$X^2(df = 1, N=107) = 19.401 p < 0.05.$	$X^2(df = 1, N=106) = 3.389 p > 0.05.$
Share	$X^2(df = 1, N=107) = 11.107 p < 0.05.$	$X^2(df = 1, N=107) = 5.535 p < 0.05.$	$X^2(df = 1, N=106) = 11.883 p < 0.05.$	$X^2(df = 1, N=106) = 22.629 p < 0.05.$
Treasury Bill	$X^2(df = 1, N=107) = 0.597 p < 0.05.$	$X^2(df = 1, N=107) = 0.121 p > 0.05.$	$X^2(df = 1, N=107) = 9.440 p < 0.05.$	$X^2(df = 1, N=106) = 1.938 p > 0.05.$

**APPENDIX IV: CROSS TABULATION AND CHI-SQUARE TEST RESULTS OF SOURCES OF INFORMATION AS THEY RELATE TO ASPECTS OF PARTICIPATION IN THE PRIVATISATION PROGRAMME**

Chi-Square Tests of sources of information and aspects of participation in privatisation programme

<b>Source of information</b>	<b>What the Privatisation Commission Does</b>	<b>Involvement in an activity with the Privatisation Commission</b>	<b>Knowledge of Government's Intervention for encouraging public participation</b>	<b>Owning of Assets in the privatisation programme</b>
Radio	$X^2(df = 1, N=106) = 5.783, p < 0.05.$	$X^2(df = 1, N=106) = 3.123, p > 0.05.$	$X^2(df = 1, N=106) = 0.011, p > 0.05.$	$X^2(df = 1, N=106) = 0.26, p > 0.05.$
Newspaper	$X^2(df = 1, N=106) = 6.776 p < 0.05.$	$X^2(df = 1, N=107) = 2.067, p > 0.05.$	$X^2(df = 1, N=107) = 0.214, p > 0.05.$	$X^2(df = 1, N=106) = 0.331, p > 0.05.$
Television	$X^2(df = 1, N=106) = 1.049, p > 0.05.$	$X^2(df = 1, N=106) = 0.863, p > 0.05.$	$X^2(df = 1, N=106) = 0.013, p > 0.05.$	$X^2(df = 1, N=106) = 1.179, p > 0.05.$
Privatisation Commission	$X^2(df = 1, N=106) = 0.286 p > 0.05.$	$X^2(df = 1, N=106) = 12.265 p < 0.05.$	$X^2(df = 1, N=106) = 30.503 p < 0.05.$	$X^2(df = 1, N=106) = 6.446 p < 0.05.$
Family/Friend	$X^2(df = 1, N=106) = 0.327 p > 0.05.$	$X^2(df = 1, N=106) = 0.005 p > 0.05.$	$X^2(df = 1, N=106) = 9.378 p < 0.05.$	$X^2(df = 1, N=106) = 0.549, p > 0.05.$

