

The Big Privatisation Debate – African Experiences

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During the past few months, the issue of privatisation has featured prominently in Namibia. Following the recommendations of the 'Angula Report' on the future of State-Owned Enterprises (SOEs) in Namibia, there are clear indications that the Namibian Government wants to privatise several parastatals. Opposition to these plans has largely come from the Namibian labour movement, but in recent debates representatives of municipalities and community-based organisations have also raised doubts about the effects of privatisation on the delivery of services. All too often, policy debates are taking place only among the political and economic elite while the people who are directly affected by such policies have no (or very little) say. Hopefully, this will not happen in the case of Namibia's privatisation plans as we have the opportunity to learn from the experiences of other countries.

The latest publication of the Labour Resource and Research Institute (LaRRI) looks at the experiences of privatisation in Africa and we believe that there are critical lessons to be learned for Namibia. Some conservative economists and government representatives seem to believe that privatisation will be the answer to the problems faced by our parastatals. However, it might be wise to first look at the experiences elsewhere in Africa before rushing into a policy for which Namibia and her people will pay a heavy price in the years to come.

The drive to privatise

Beginning in the 1970s, and gaining momentum throughout the 1980s and 1990s, has been the global trend away from state ownership and control towards privatisation. There were 2 main reasons for this change in policy: Firstly several of the SOEs were inefficient, poorly managed, unable to sustain themselves, and therefore had to be subsidised by government. Secondly, there was the growing dominance of "neo-liberalism" as a model (and ideology) of economic development. "Neo-liberalism" has its roots in regimes of Margaret Thatcher in the UK and Ronald Reagan in the USA that dismantled their welfare states in response to a global economic crisis in the 1970s. The neo-liberal ideology is driven by the belief in the "free market" as the best regulator and engine of economic growth while the state's developmental role in the economy is to be reduced.

In Africa, privatisation was introduced in the 1980s and 1990s, usually as part of structural adjustment programmes (SAPs). In return for loans from the International Monetary Fund (IMF) and the World Bank, African countries were forced to implement neo-liberal economic policies, which included privatisation.

Privatisation was implemented in different forms in Africa, which included the direct sale of public assets, commercialisation, outsourcing and public-private partnerships. African countries were told by the IMF, World Bank and other advisors that privatisation would lead to greater efficiency, higher productivity and better service delivery. It was further assumed that privatisation would generate wealth, which would eventually trickle down to everybody. However, what has happened in practice?

The results of privatisation in Africa

Recent studies on privatisation in several African countries have shown that:

- ◆ Privatisation led to the loss of over 60 000 jobs in Zambia while several hundred thousand workers were retrenched in Ghana.
- ◆ Privatisation led to increases in the price of services. In Zambia, a privatised bus company dramatically increased the bus fares and closed down unprofitable - mostly rural - bus routes. As a result many Zambians now walk many kilometres to their workplaces and schools because they can no longer afford the bus fares or because the busses no longer service the areas where they live.
- ◆ In Nigeria the prices for Kerosene increased by 6 000% between 1985 and 1995. Postal and telecommunications services increased their prices by 2 500 - 5 000% during that period while electricity prices increased by 883%.
- ◆ In Ghana the introduction of cost recovery programmes were part of privatisation and resulted in increased fees for health and education services. As a result, they became unaffordable for the poor.
- ◆ In Zimbabwe, privatisation also led to retrenchments and increased prices for services. The Cotton Company of Zimbabwe, for example, reduced its workforce from 3 000 to 500 after privatisation.

These few examples show some of the results of privatisation in Africa. Supporters of privatisation point out that some privatised parastatals have performed well and even increased the number of workers they employed. Some managed to improve conditions of service, but those were exceptions. In most cases, privatisation programmes increased the hardships for the poor. The worst consequences of privatisation in Africa were the retrenchments of thousands of workers and worsening conditions of employment for those who were lucky enough to keep their jobs. Wages of African workers support large families in urban and rural areas and retrenchments therefore lead to increased levels of poverty. This has always hit African women the hardest who have to shoulder the main burden of running the household, raising the children and looking after the sick and elderly.

Another negative result of privatisation has been the increase in prices for essential services. Driven by mere profit motives, privatised SOEs usually waste no time to

increase prices and to offer services only to those who can afford them. In a situation of mass poverty that exists in most African countries, this usually means that a large part of the population cannot pay for services and therefore does not receive them. In many cases privatised health and education services prevented people from going to hospitals or sending their children to school. They simply could no longer afford to do so. Even access to water and electricity was threatened as water and electricity cuts for those who were too poor to pay became a sad reality in several African countries.

Resistance to privatisation

Privatisation is still being promoted by the IMF and World Bank as well as many African governments who believe that this policy will help them solve financial problems and inefficiency in parastatals. Local and foreign businesses usually push for the privatisation of profitable parastatals as investment possibilities with high returns. On the other hand, community organisations and especially trade unions have pointed to the negative social consequences of privatisation in Africa. Trade unions in many African countries have started to protest against privatisation. South Africa's trade union federation COSATU, for example, staged national strikes in August 2001 and October 2002 to demand an end to privatisation, especially when it concerns basic services and national infrastructure. Likewise, the National Union of Namibian Workers (NUNW) presented several proposals to the Namibian government last year, suggesting how the performance of parastatals could be improved without privatising them.

The way forward

The African experiences send a clear warning to Namibia about the likely consequences of privatisation. There is no doubt that the ongoing poor performance of some parastatals has become unsustainable. It cannot be justified that millions of dollars of public funds have to be spent every year to keep parastatals like Air Namibia alive at the expense of other pressing developmental priorities. Critical questions need to be raised about the quality and competence of management at such parastatals and why government as the owner has allowed the situation to deteriorate year by year while rewarding incompetent managers with huge perks and later on retrenchment packages. Disaster cases like Air Namibia are now being used to propagate privatisation as the solution. This strategy, however, is questionable in various respects:

1. Privatising parastatals will not necessarily solve the problem of poor management, which needs to be addressed directly. Government has to find ways of appointing people that are competent in running the parastatals efficiently. There should be no tolerance for managers who enjoy huge perks while failing to ensure the proper running of parastatals. There is also no guarantee that private ownership will automatically lead to efficiency as can be seen by the poor performance of several private companies.
2. Private investors are not driven by the desire to deliver social services at affordable rates but rather by the desire to make profits. Private investors will thus be interested only in those parastatals that already make profits or have the potential to make profits in the near future. This means that government is likely to sell performing parastatals like Telekom or Nampower while remaining with the rest.

The proposal to privatise Air Namibia while making the company's existing debt a public debt (to be paid for by government with public funds) shows how privatisation will leave the benefits to the private sector and the burden to the public.

3. Parastatals that deliver essential services for the Namibian people need to remain under government control and ownership. Otherwise, government will have no power to ensure the delivery of services to the poor and the delivery of services will be dictated by market forces which means that services will only be available to those who can afford them. In such cases, privatisation will lead to a loss of accountability of government towards the electorate who rightly expect the delivery of essential services from the representatives and institutions they voted into power.
4. Parastatals are important development vehicles for government to initiate economic activities and provide social services in areas where the private sector is reluctant to invest. The Namibian economy is already dominated by the private sector and provides sufficient opportunities for private sector investments. Namibia certainly does not present a case where the public sector is "crowding out" private initiatives.

These considerations, coupled with the likelihood of mass retrenchments, make privatisation a questionable strategy for Namibia. As Namibia is not tied to IMF and World Bank loans and thus not forced to implement privatisation programmes, we should refrain from just copying what others have done and instead implement policies that suit Namibia's development needs. Parastatals that provide essential services like education, health, housing, information, postal services, telecommunications, transport, water and electricity must certainly remain under public ownership and control. Others will have to be examined on a case by case basis to determine:

- ◆ the demand for and the quality and price of the products and services they provide,
- ◆ how efficiently they are run and managed,
- ◆ the number and quality of jobs they provide.

Such an assessment, coupled with wide consultations that take the interests of relevant stakeholders like trade unions and poor communities into account could pave the way for a suitable strategy to improve the operations and performance of Namibia's parastatals without compromising affordable service delivery and employment.

About the author:

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