

**WORKING WITH THE  
PRIVATE SECTOR**

**SPEECH DELIVERED BY**

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**ON THE OCCASION OF THE OFFICIAL OPENING OF**

**THE PRIVATISATION STRATEGY  
CONFERENCE**

**CHAIRMAN OF THE PRIVATISATION COMMISSION, MR  
SAM KAKHOBWE;**

**HONOURABLE MINISTERS AND DEPUTY MINISTERS;**

**CHIEF SECRETARIES;**

**PRINCIPAL SECRETARIES;**

**YOUR EXCELLENCIES MEMBERS OF THE DIPLOMATIC  
CORPS;**

**DISTINGUISHED HEADS OF INTERNATIONAL  
ORGANISATIONS;**

**YOUR WORSHIP THE MAYOR OF LILONGWE, COUNCILLOR  
HAMDANI;**

**DISTINGUISHED INVITED GUESTS;**

**LADIES AND GENTLEMEN.**

As I begin my remarks today, let me first take this opportunity to wish you all a very happy and prosperous New Year, 2005.

Today is a great day for the privatisation programme in Malawi. I am happy to be with you this morning and thank you for the support you have given to the privatisation effort so far, and also for your continued support, evidenced by your attendance at this high-level conference.

I have titled my statement as: **“WORKING WITH THE PRIVATE SECTOR”**. You may remember what I said in my inaugural speech that a national consensus has emerged that we as a nation, need to develop a set of new priorities to enable us to transform our country and lift it out of poverty. One of the critical priorities of my government is to introduce significant Private Sector Reforms that will develop and strengthen our business enterprises. The time has come for us to realize that the private sector has a major role to play in lifting Malawi up from poverty.

In working with the private sector, I see the privatisation programme contributing significantly to this important priority of my Government. Let me briefly explain how: The ultimate objective of my Government is to empower the private sector to spearhead infrastructure development and to expand services, improve incentives and thus reduce the burden on strained public resources. Then, the two critical players in the economy – the public sector hand in hand with the private sector – must together enhance efficiencies in the economy.

Mr. Chairman, I envision a privatisation programme that will not only help my Government achieve this mission to instill confidence in the economy but also, and more importantly, help to persuade Malawians to believe in ourselves, to believe that our beloved country can achieve macro-economic growth and that we all can participate and benefit.

As I have said many times before, we must acknowledge that this road map to prosperity also dictates that we should have effective working modalities with the private sector through structured reforms that create a conducive and enabling climate for domestic and foreign investment. My Government therefore will endeavour, through the process of privatisation, to provide an opportunity to the private sector, both to take over the operation of existing enterprises and to finance new infrastructure assets. This approach will involve Public-Private Partnerships and Public Sector Investment Programmes.

I am convinced that this process will open up new windows of opportunity for the people of this country to participate in the economy – as consumers, as workers, as shareholders, as stakeholders in the future we want to pass on to our children.

Another way of effectively working with the private sector is to redraw the public/private relationship as a political process. It should, therefore, be no surprise to you and the stakeholders gathered this morning to find that political objectives play an important role in this efficiency-shaping process. The success of privatisation will be either encouraged or limited by the interplay of political will and business confidence. Therefore, at its broadest, the objective of the privatisation programme can rightly be

characterized as maximizing the welfare of the greatest number of citizens.

And that brings me to a crucial point regarding citizen participation in this process. Within the context of the National Economic Empowerment Policy that my Government will adopt very soon, the success of the privatisation programme will in part be measured by the extent to which the development objectives and priorities of our country are implemented. It will also be measured by the extent to which poverty levels are reduced in the shortest possible periods.

Mr. Chairman, let me offer an example of how public share issues affect the profile of privatisation. In Malaysia, for example, public shares were a key feature of the privatisation programme and, thus, the programme itself necessarily took on a very high profile to gain public awareness and public interest in ownership. The overarching objective of the Malaysian Government was to promote and protect the people's relative asset holdings.

In Malawi, I am pleased to note, we are taking a keen interest in the participation and even ownership by ordinary people in our country. Over and above the existing mechanisms established to promote Malawian participation, additional schemes such as an "Enterprise Africa" type organization are being contemplated for Malawi. In addition, my Government will also seek to establish or encourage the establishment of the Malawi Development and Investment Bank which, *inter alia*, will promote joint venture capital funds to promote the effective participation of indigenous Malawians in industrial development and trading of our country.

I call upon the private sector and the donor community to assist in this worthy cause. I commend the UNDP, in particular, for accepting to support our efforts to establish Enterprise Malawi.

Mr. Chairman, as is evident from the initiatives I have just outlined, the privatisation programme involves a process of social and economic change that is invariably met with a degree of resistance from some sectors of our society. Resistance to change is human nature, and therefore, should be anticipated, analysed and managed. Let me therefore draw our attention to the nature of some of these changes and how we are managing them.

First, my Government will take necessary steps to secure political and social support critical to the success of the programme. Our meeting today is an example of that approach. Quite often opposition arises from distorted perceptions or misinformation about the objectives of, and benefits from, privatisation.

Second, it is no secret that one of the oft-cited criticisms of the privatisation process has been the lack of sufficient information on the use of proceeds. My Government's strategy is to use proceeds in a way that will maximise the positive benefits of the programme and to make those benefits known to the people. One such way is to invest this in the Malawi Development and Investment Bank.

Third, my Government shall also endeavour to use the proceeds for socially astute purpose, for example, the building of social infrastructure, particularly schools and clinics.

One of the concerns about privatisation is the short-term loss of jobs that often occurs. Over the years, the Government has attempted to minimise the loss of jobs. However, it must be recognised that some of the problems associated with state-owned enterprises have been caused by inefficiencies in production, overstaffing and indeed corruption and misuse of resources.

It is therefore necessary to put in place measures that will reduce the shock and suffering among our people that may be affected by the implementation of these reforms. In recognition of this fact, the Government will this year work towards the establishment of a National Social Security Program. The Programme will aim to offer social protection to those groups of employees who are most vulnerable as a result of privatisation. The programme will provide various social services, including counselling, financial management/saving advice, retraining and job placements, and assistance with access to resources to business start-ups that will create jobs not only for themselves but also for other Malawians.

Although the Programme will initially target those affected by privatisation, the institutional framework will allow for its eventual expansion to enhance access by all people affected by reforms, including those affected by Civil Service and Private Sector Reforms.

Let me now address the need for a revised Divestiture Sequence Plan. At the heart of the Privatisation Programme is the Divestiture Sequence Plan which is a list of companies that Cabinet approved in 1997 for inclusion in the privatisation programme. My Government realises that there is

need to review the Divestiture Sequence Plan due to passage of time, and also to assertively take into consideration the new paradigm shift to consider Public-Private Partnerships as a form of privatisation. In that regard, the Government will undertake a very detailed review of at least 55 enterprises and determine the most optimum privatisation strategy for each one of these. The revised Divestiture Sequence Plan will be submitted to Cabinet for its consideration in due course.

Let me conclude by underscoring that my Government believes it is imperative that privatisation should benefit all Malawians. Similarly, privatisation should result in creating new businesses, new services and new jobs for more Malawians. I believe that we can create strong businesses if our people can work together with the private sector in such a way that the benefits of prosperity are shared across Malawi.

In fact, those are the very elements at the centre of my Government's policy on the Privatisation Programme. And these are the very issues we are here to discuss today.

I want to stress that what emerges from this retreat may influence the course of events in Malawi in the next two to three years. It is therefore imperative that you take your deliberations seriously.

Thank you and God bless you all.