

PART TWO

GOVERNANCE WORKSHOP FOR MINISTERS
AND PRINCIPAL SECRETARIES

THE ROLE OF GOVERNMENT IN ENTERPRISE
MANAGEMENT: PARTICIPATION OF THE
PEOPLE IN ECONOMIC ACTIVITIES
OF THEIR ECONOMY

PRESENTED BY:

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INTRODUCTION

1. GOVERNMENT AIMS TO ACHIEVE WIDER OWNERSHIP DISTRIBUTION AND INDIGENISATION OF THE ECONOMY THROUGH A VARIETY OF METHODS DISCUSSED IN THE PRIVATISATION MASTERPLAN 1993. THE PARASTATAL REFORM PROGRAMME PROVIDES THE OPPORTUNITY TO ACHIEVE WIDER SHARE OWNERSHIP IN A RELATIVELY SHORT PERIOD. THIS SHORT PAPER OUTLINES SOME POLICY OPTIONS TO ACHIEVE THE OBJECTIVE.

2. GOVERNMENT IS AWARE THAT, ULTIMATELY, CONSUMERS AND EMPLOYEES WILL BE BETTER OFF IF ENTERPRISES ARE IN THE HANDS OF COMMITTED AND COMPETENT OWNERS. FOR SMALLER BUSINESS, OWNERSHIP THAT IS TOO WIDELY DISPERSED CAN BE COUNTER PRODUCTIVE. FACTORS LIKE THESE WILL ALSO HAVE TO BE TAKEN INTO ACCOUNT WHEN ASSESSING DESIRABLE OWNERSHIP STRUCTURES FOR THE INDIVIDUAL ENTERPRISES.

NINE OF THE FOURTEEN TYPES OF DIVESTURE DISCUSSED IN THE PRIVATISATION MASTERPLAN INVOLVE A CHANGE OF OWNERSHIP; COMPONENT OF THE REFORM PROGRAMME. FOR HISTORICAL REASONS, AND COMPARED WITH FOREIGN INVESTORS AND SEVERAL GROUPS OF NON-INDIGENOUS TANZANIANS, THE LARGE MAJORITY OF INDIGENOUS CITIZENS:

- HAVE NO ENTREPRENEURIAL BACKGROUND, AND/OR
- LACK THE INDIVIDUAL COMMERCIAL CREDIT THEY WOULD NEED TO ACQUIRE STATE OWNED ASSETS. IN THE MAIN, THEREFORE, INDIGENOUS CITIZENS ARE DISADVANTAGED VIS-A-VIS OTHER INVESTOR GROUPS CONSEQUENTLY, THE MAJORITY OF CITIZENS ARE CONCERNED THAT GREAT A PROPORTION OF THE STATE'S COMMERCIAL ASSETS COULD PASS INTO THE HANDS OF NO-INDIGENOUS ENTREPRENEURS.

THERE IS THEREFORE A NEED TO BUILD SUPPORT FOR, AND ENSURE ACCEPTANCE OF THE PRINCIPLE OF DIVESTITURE AMONG THE PEOPLE OF TANZANIA BY ESTABLISHING MECHANISMS WHICH WILL ENSURE THAT A MINIMUM LEVEL OF INDIGENOUS OWNERSHIP WILL RESULT FROM DIVESTURE.

IN RECOGNITION OF THIS, THE PSRC RECOMMENDS THAT A GOVERNMENT STATEMENT BE ISSUED THAT EXPLAINS THE REASON FOR ENCOURAGING INDIGENOUS OWNERSHIP AND THE SAFEGUARDS THAT HAVE BEEN ESTABLISHED TO ENSURE THAT:

- INDIGENOUS CITIZENS HAVE AMPLE OPPORTUNITY IN THE DIVESTMENT PROGRAMME; AND
- THAT, TAKEN AS A WHOLE, A MINIMUM LEVEL OF OVERALL OWNERSHIP OF DIVESTED PARASTATALS HAS BEEN PRESERVED FOR THEM. AT THE SAME TIME, SO AS NOT TO DETER OTHER GROUPS OF WORTHY INVESTORS,

THE STATEMENT SHOULD ALSO EXPLAIN THAT ANY ADVANTAGES OFFERED TO INDIGENOUS INVESTORS WILL NOT EXCEED THOSE SET OUT IN PUBLISHED OFFERS FOR SALE.

IT MUST BE UNDERSTOOD THAT IT IS TO THE ULTIMATE ADVANTAGE OF BOTH INDIGENOUS AND NO-INDIGENOUS TANZANIANS AS WELL AS FOREIGN INVESTORS THAT THE PROCESS OF DIVESTING PARASTATAL ENTERPRISES BE SUPPORTED BY THE MAJORITY AND SHOULD BE SEEN TO HAVE THE OPPORTUNITY TO BENEFIT FROM THE PROCESS"

THIS PAPER ATTEMPTS TO EXPLORE MECHANISMS FOR PRESERVING A MECHANISM LEVEL OF INDIGENOUS OWNERSHIP.

SHARE OWNERSHIP: SOME PROPOSALS

3. WHERE CAPITAL, HANDS-ON MANAGEMENT SKILLS AND TECHNOLOGY ARE CRITICAL TO THE SURVIVAL AND GROWTH OF COMPANIES, "CORE INVESTORS" ARE NEEDED WHO WILL OFTEN REQUIRE A MAJORITY SHARE STAKE. HOWEVER, THE PRESERVATION OF INDIGENOUS INTERESTS IS AN IMPORTANT GOAL, AND A NUMBER OF APPROACHES SHOULD BE USED. IN THE CASE OF PROFITABLE OR POTENTIALLY PROFITABLE COMPANIES VARIOUS SHARE DISTRIBUTION AND SALE SCHEMES ARE POSSIBLE. IT IS POSSIBLE THAT EMPLOYEE SHARES OWNERSHIP SCHEMES OF 5% TO 10% EQUITY, AND WIDE SHARE OWNERSHIP SCHEMES OF ANOTHER 5% TO 10% RESPECTIVELY IN INDIVIDUAL COMPANIES COULD BE HELD IN A FUND REPRESENTING ALL ENTERPRISES FOR SELECTED PARASTATALS. SHARES, PREFERABLY SHOULD NOT BE GIVEN FREE, BUT A TOKEN PAYMENT COULD BE MADE, THE MODALITIES OF WHICH COULD BE WORKED OUT.

IT IS ALSO PROPOSED THAT ALL OR PART OF THE SHARES RESERVED FOR THE GOVERNMENT ARE EVENTUALLY SOLD TO THE PUBLIC, THROUGH A MANAGED FUND. IN SOME CASES, PUBLIC OFFERS OF SHARES WILL BE POSSIBLE; THIS APPLIES MAINLY TO PROFITABLE AND WELL-KNOWN ENTERPRISES ABOUT WHICH THE PUBLIC IS INFORMED. ARRANGEMENTS FOR PUBLIC SHARE ISSUES SHOULD BE MADE THROUGH FINANCIAL INSTITUTIONS, PARTICULARLY THOSE SPECIALISING IN MERCHANT BANKING. GIVEN SOME EXPERTISE, THE TANZANIA INVESTMENT BANK AND TANZANIA DEVELOPMENT FINANCE COMPANY LIMITED COULD ALSO OPERATE A SECONDARY MARKET IN THE PRESENT ABSENCE OF A STOCK MARKET. IN THE LONGER RUN, A MORE FORMAL STOCK EXCHANGE WOULD BE ESTABLISHED, (SHOULD THE LEVEL OF TRADING ACTIVITY WARRANT IT.)

5. IN THE AGRO-INDUSTRIAL SECTOR (E.G. SUGAR AND TEA ESTATES) MODELS ARE AVAILABLE OF DIRECT SHARE HOLDING BY GROWERS AND FARMERS, AND IT IS PROPOSED THAT THESE ARE SERIOUSLY CONSIDERED BY SUDECO AND TTA IN TANZANIA. PSRC IN COLLABORATION WITH SUDECO AND TTA COULD DEVELOP TOGETHER A SCHEME TO INVOLVE WIDE SHARE - OWNERSHIP OF INDIGENEOUS FARMERS IN AGRO-INDUSTRIAL SECTOR.
6. IN ORDER TO PREVENT EXCESSIVE CONCENTRATIONS OF SHARES, HOLDING LIMITS COULD BE INTRODUCED IN APPROPRIATE CASES, AND WIDE PUBLICITY THROUGH POST OFFICES AND BANK BRANCHES TO INCREASE GEOGRAPHICAL COVERAGE.
7. THERE IS A NATURAL WISH IN GOVERNMENT AND THE MEMBERS OF PARLIAMENT TO SEE THAT THE INDIGENOUS PEOPLE SHARE IN THE POTENTIAL BENEFITS THAT MIGHT ARISE FROM THE PRIVATISATION OF PARASTATAL ENTERPRISES.
8. HOWEVER, PSRC'S ANALYSIS OF THE PARASTATAL SECTOR SHOWS THAT MANY OF THE PARASTATALS NOW TARGETED FOR PRIVATISATION HAVE BEEN MAKING SIGNIFICANT LOSSES, AND FAR FROM ENRICHING THE PEOPLE, WHO ARE THE ULTIMATE OWNERS OF THESE LOSS-MAKING PARASTATALS, THEY HAVE BEEN A CONTRIBUTORY SOURCE OF THEIR CONTINUING IMPOVERISHMENT BECAUSE OF THE DIRECT AND INDIRECT SUPPORT THAT THESE PARASTATALS HAVE REQUIRED FROM THE GOVERNMENT. THUS, THE MERE ACT OF DIVESTMENT WILL BE OF BENEFIT TO THE PEOPLE, AND THIS MAY BE SUFFICIENT!
9. THE SITUATION WITH VIABLE AND POTENTIALLY VIABLE PARASTATALS IS SOMEWHAT DIFFERENT, AND THE ALLOCATION OF A PROPORTION OF SHARES FOR THE BENEFIT OF THE INDIGENOUS

PEOPLE AT A TOKEN LOW PRICE (IN PREFERENCE TO A TOTALLY FREE (ISSUE) MAY BE DESIRABLE. HOWEVER, IT WOULD NOT BE A REALISTIC OPTION FOR THE ENTIRE ADULT POPULATION OF THE COUNTRY TO PARTICIPATE AS INDIVIDUALS, FOR A VARIETY OF REASONS - CULTURALLY, LOGISTICALLY, OR ADMINISTRATIVELY. EVEN THEIR PARTICIPATION IN A GROUP SCHEME IS UNREALISTIC, AS THE SHEER COST OF ADMINISTERING SUCH A SCHEME WOULD BE WHOLLY DISPROPORTIONATE TO SIZE OF THE ASSETS INVOLVED AND THE SCALE OF THE INDIVIDUAL HOLDINGS. ACCORDINGLY, A POPULATION-WIDE APPROACH OR A FREE VOUCHER SYSTEM IS NOT RECOMMENDED.

10. A MORE MANAGEABLE BASIS FOR A WIDE SHARE OWNERSHIP SCHEME WOULD BE ONE THAT IS AIMED INSTEAD AT THOSE IN PAID EMPLOYMENT, OF WHICH THERE ARE SOME 700,000. ALTHOUGH THIS IS STILL A LARGE NUMBER, IT REPRESENTS A GROUP WHICH IS DOCUMENTED, WHICH IS IN PAY-AS-YOU-EARN, PROVIDENT SCHEMES, AND WHICH HAS A CASH FLOW, ALBEIT A RELATIVELY SMALL ONE.

11. AN IMPORTANT FACTOR TO BE WEIGHED WHEN CONSIDERING WHETHER IT IS APPROPRIATE TO DESIGN A WIDE SHARE OWNERSHIP SCHEME TO PERMIT THOSE IN EMPLOYMENT TO SHARE IN THE POTENTIAL BENEFITS OF PRIVATISED PROFITABLE PARASTATALS IS THE EXTENT AT WHICH A RIVAL CLAIM HAS TO BE CONSIDERED: THAT THE SALES PROCEEDS FROM THE PRIVATISATION OF PROFITABLE PARASTATALS SHOULD BE DEVOTED TO CARRYING THE COST OF DEBT ASSUMPTIONS, WRITE-OFFS, CLOSURES, REDUNDANCES, REDEPLOYMENT AND RETRAINING SCHEMES, AND ALSO TO CONTRIBUTE TO THE COST OF DESPERATELY NEEDED INFRASTRUCTURE TO SUPPORT THE OPERATIONS OF BOTH PUBLIC SECTOR AND PRIVATE SECTOR ENTERPRISES.

12. IF DESPITE SUCH COMPETING CLAIMS, THERE IS A WISH TO PERSEVERE WITH A WIDE SHARE OWNERSHIP SCHEME, THEN SUCH A SCHEME SHOULD BE DESIGNED FOR WAGE EARNERS (AND OTHERS WHO MIGHT WISH TO JOIN IN) ON A BASIS WHICH HAS POPULAR APPEAL; IT SHOULD INVOLVE AN ALLOCATION OF SAY, 5% TO 10% OF THE SHARES OF VIABLE AND POTENTIALLY VIABLE PARASTATALS THAT ARE PRIVATISED; IT SHOULD NOT BE A FREE SCHEME BUT TOKEN PAYMENT SHOULD BE REQUIRED BY PRICING PARTICIPATION AT 20% TO 30% OF THEIR VALUATION; AND IT SHOULD BE A COLLECTIVE SCHEME INVOLVING, FOR EXAMPLE, THE PPF, NPF, PENSION FUND, NIC, CO-OPERATIVE, OTTU ETC.

13. SHARES SHOULD INITIALLY BE PURCHASED BY A GOVERNMENT TRUST FUND AND TRANSFERRED INTO A UNIT TRUST OR MUTUAL FUND IN AMOUNTS TO MATCH THE VALUE OF SALES OF UNITS IN THE MUTUAL FUND THAT ARE SOLD (IF NECESSARY BY EASY PAYMENTS THROUGH PAYROLL DEDUCTIONS) TO ALL THOSE IN PAID EMPLOYMENT AND TO ALL OTHERS WHO MAY WISH TO APPLY. THE GOVERNMENT-OWNED AND FINANCED FUND WOULD THUS ACT AS A RESERVOIR AT ARM'S LENGTH OF ALLOCATED SHARES AND OTHER SHARES PENDING THEIR SALE. SHARES WOULD BE PASSED DOWN TO THE COLLECTIVE SCHEME AS APPLICATIONS ARE RECEIVED FOR UNITS IN THE SCHEME. ANY REDEMPTIONS OF UNITS FROM THE COLLECTIVE SCHEME WOULD BE PASSED BACK TO THE GOVERNMENT OWNED AND FINANCED FUND, AS THE COLLECTIVE SCHEME BEING A MUTUAL FUND WOULD NOT HAVE LARGE CAPITAL BASE OF ITS OWN. UNITS IN THE COLLECTIVE SCHEME WOULD BE PURCHASED IN THE MAIN THROUGH SALARY DEDUCTIONS. LIMITS ON THE SIZE OF INDIVIDUAL HOLDINGS SHOULD BE IMPOSED FOR A PERIOD OF 2 TO 3 YEARS IN ORDER TO FAVOUR SMALL HOLDINGS BY THE INDIGENOUS SECTION OF THE POPULATION. ONCE THE SCHEME HAS STABILISED, AND ONCE A SECONDARY MARKET IN MOST OF THE

UNDERLYING SHARES HAS DEVELOPED, THE COLLECTIVE SCHEME COULD BE SPUN OFF AS FREE-STANDING MUTUAL FUND. THE GOVERNMENT-OWNED AND FINANCED EVENTUALLY TO BE LISTED.

14. IT SHOULD NOT BE FORGOTTEN THAT CONCESSIONARY ALLOCATIONS OF SHARES TO WIDE SHARE-OWNERSHIP SCHEMES WILL DILUTE THE HOLDINGS OF CORE INVESTORS AND OTHERS, AND WOULD THEREFORE ADVERSELY IMPACT TO AN EQUAL EXTENT THE PRICE THAT THESE INVESTORS WOULD BE WILLING TO PAY FOR A DIVESTED PARASTATAL.

FINANCIAL SHARE PURCHASE SCHEMES:

15. IN MANY COUNTRIES, GOVERNMENTS HAVE DEVELOPED A VARIETY OF SHARE PURCHASE SCHEMES TO ENCOURAGE AND ASSIST WIDE SHARE OWNERSHIP IN DIVESTED ENTERPRISES. THEY ARE HOWEVER GENERALLY DESIGNED FOR THE PURCHASE OF LISTED SHARES, NOT THE PURCHASE OF UNLISTED SHARES, WHICH WOULD BE THE CASE IN TANZANIA. SUCH SCHEMES ARE NOT "PRIVATISATION FUNDS" PERFORMING A BRIDGING FUNCTION, BUT ARE A MEANS OF ASSISTING THE PURCHASE OF SHARES BY SMALL PRIVATE INVESTORS.
16. USING SOME OF THE PROCEEDS OF PRIVATISED PARASTATALS, THE GOVERNMENT CAN CREATE A REDUNDANCY FUND OR A STATE OCCUPATIONAL SOCIAL SECURITY FUND. IN CASE OF RETRENCHES, THE FUND CAN BE ADVANCED TO THE EMPLOYEES 50% OF THE MONEY DUE TO THEM FROM THE FUND ON CONDITION THAT 80% OF THE ADVANCE IS INVESTED IN SHARES OF POTENTIALLY PROFITABLE PARASTATALS WITH THE REMAINING 20% BEING ALLOWED TO BE SPENT ON CONSUMPTION AS A SWEETENER AND AN INCENTIVE.

17. THE PROMOTION OF WIDE SHARE OWNERSHIP SHOULD PAY DUE REGARD TO THE FINANCIAL CIRCUMSTANCES OF THE PROSPECTIVE SMALL PRIVATE INVESTOR, PARTICULARLY IN THE ABSENCE OF A STOCK MARKET. SUCH INVESTORS SHOULD NOT BE ENCOURAGED TO COMMIT MORE THAN A PROPORTION OF THEIR SAVINGS TO INVESTMENTS IN EQUITIES OR TO BORROW TO DO SO WHEN THEIR SAVINGS ARE HELD IN ILLIQUID FORM. THEY SHOULD BE WARNED THAT SHARES CAN GO DOWN IN PRICE AS WELL AS UP, AND THERE MAY NOT BE A MARKET AT ALL IN UNLISTED SHARES. THERE SHOULD BE NO INTENTION TO SEEK TO DIVERT FUNDS HELPED BY DEPOSITORS IN THE TANZANIA POSTS OFFICE SAVINGS BANK. THE TARGET SHOULD BE LIMITED TO ATTRACTING ONLY A SMALL PROPORTION OF THE FUNDS HELD IN SAVINGS DEPOSITS AT COMMERCIAL BANKS.

18. THE SHARES THAT PRIVATE INVESTORS ARE GIVEN THE OPPORTUNITY TO INVEST IN SHOULD NOT BE SPECULATIVE IN CHARACTER, BUT SHOULD OFFER THE PROSPECT OF STABLE EARNINGS. PRIVATE INVESTORS SHOULD BE MADE AWARE OF THE HAZARDS OF INVESTING IN AN INADEQUATELY DIVERSIFIED PERSONAL PORTFOLIO, AND CONVERSELY, OF THE PROPORTIONATELY MUCH HIGHER COMMISSIONS AND MARGINS THEY WOULD USUALLY HAVE TO PAY FOR TRADING VERY SMALL PARCELS OF SHARES. AS IN MANY COUNTRIES, SMALL INVESTORS IN TANZANIA SHOULD BE CATERED FOR BY A MUTUAL FUND: MOST UNIT TRUSTS ARE SPECIFICALLY DESIGNED TO ADDRESS THE NEEDS OF THE SMALL INVESTOR.

EMPLOYEE SHARE OWNERSHIP SCHEMES

19. EMPLOYEE SHARE OWNERSHIP SCHEMES HAVE MANY OF THE FEATURES OF WIDER SHARE OWNERSHIP SCHEMES, BUT ARE SIMPLER BECAUSE THEY ARE "IN-HOUSE" SCHEMES.

THEY TOO INVOLVE AN ALLOCATION OF SAY 5% TO 10% OF THE SHARES IN AN ENTERPRISE, GIVEN FREE OR PRICED AT UP TO 10% OF VALUATION. INEVITABLY THERE WOULD BE A LACK OF FAIRNESS, IN THAT THE FINANCIAL BENEFITS OF EMPLOYEE SHARE OWNERSHIP WOULD BE PRE-DETERMINED BY WHETHER SHARES IN ANY PARTICULAR EX-PARASTATAL ARE OR ARE NOT FINANCIALLY ATTRACTIVE INVESTMENT FOR ITS EMPLOYEES. THERE MAY ALSO BE A PERCEIVED LACK OF FAIRNESS WHATEVER METHOD OF ALLOCATION IS USED: WHETHER IT IS EQUAL SHARES FOR ALL, OR ALLOCATIONS PROPORTIONAL TO SALARY, OR TO YEARS OF SERVICE, OR SOME COMBINATION. ALSO, UNTIL SUCH TIME AS A SECONDARY MARKET DEVELOPS IN THE SHARES, SHARE HOLDINGS WILL BE AN ILLIQUID INVESTMENT OF UNCERTAIN VALUE. INCENTIVES COULD BE OFFERED TO LONG TERM HOLDERS TO DISCOURAGE EARLY RESALE. SUCH INCENTIVES COULD INCLUDE A FURTHER DISCOUNT ON PRICE AND/OR EASIER PAYMENT TERMS. SUBJECT TO NO DISPOSAL FOR A PERIOD OF SAY 3 TO 5 YEARS, OR IN THE CASE OF FREE SHARES THEIR TRANSFERABILITY OTHER THAN THROUGH INHERITANCE MAY BE SPECIFICALLY PROHIBITED FOR THE REQUISITE PERIOD.

20. ALL UNITED KINGDOM PRIVATISATION THROUGH PUBLIC OFFERINGS DID INCLUDE SPECIAL ARRANGEMENTS FOR EMPLOYEES. IN EACH CASE, EACH EMPLOYEE WAS OFFERED A NUMBER OF FREE SHARES, AND THE GOVERNMENT MATCHED A FURTHER NUMBER OF SHARES TO THOSE PURCHASED BY EMPLOYEES.

BUT WOULD ACT AS STATE OWNED HOLDING COMPANIES AND DEALERS IN SECURITIES. THE SHARES THEY ACQUIRE COULD DERIVE FROM THE CONVERSION OF FUNDS PROVIDED TO STATE OWNED CORPORATIONS INTO EQUITY, FROM THE CONVERSION INTO SHARES OF ANY GOVERNMENT INVESTMENT RESULTING FROM THE REPURCHASE OF FOREIGN OR DOMESTIC DEBT, OR FROM THE CAPITALISATION OF ENTERPRISES BY THE INJECTION OF ADDITIONAL FUNDS. THEIR ROLE IS ESSENTIALLY A BRIDGING, TEMPORARY, ONE. THEY SHOULD THUS DIFFER IN THEIR PURPOSE AND OPERATIONS FROM PRIVATE SECTOR FINANCIAL AND INDUSTRIAL HOLDING COMPANIES AND INVESTMENT TRUSTS. THE GOVERNMENT IS CURRENTLY IN THE PROCESS OF ESTABLISHING A PRIVATISATION TRUST FUND.

PUBLIC OFFERINGS OF SHARES

23. THE ENTERPRISES MOST SUITED TO DIVESTITURE BY PUBLIC OFFERINGS ARE THOSE THAT MEET A NUMBER OF SIMPLE CRITERIA. FIRST, THE ENTERPRISE MUST HAVE THE LEGAL FORM OF A JOINT STOCK COMPANY WITH LIMITED LIABILITY: ONE CANNOT LIST AND FLOAT A SALE OF ASSETS, A LEASE, OR THE RIGHT TO THE BENEFITS OF A MANAGEMENT CONTRACT, ALL OF WHICH CAN BE DIVESTED BY OTHER MEANS. SECOND, THE DESCRIPTION OF THE ENTERPRISE, ITS CAPITAL STRUCTURE, RECENT TRACT RECORD AND FORECAST PERFORMANCE MUST BE SUCH AS TO BE UNDERSTANDABLE BY, AND ATTRACTIVE TO, PROSPECTIVE INVESTORS WHEN THEY READ OR ANALYSE THE PROSPECTUS; THERE SHOULD NOT BE ANY POTENTIAL FINANCIAL WEAKNESSES, FURTHER PLANNED RESTRUCTURING, OR IMMINENT CALLS FOR MORE EQUITY THROUGH RIGHTS ISSUES.

25. ADMINISTRATIVE ABSORPTIVE CAPACITY IS AN IMPORTANT CONSIDERATION IN DIVESTITURES THROUGH PUBLIC SHARE OFFERINGS. THE ADMINISTRATIVE HANDLING OF LARGE NUMBERS OF SHARE APPLICATIONS WITH CHEQUES OR MONEY ORDERS ATTACHED THEIR VERIFICATION FOR ACCURACY AND CONFORMITY, CHEQUE CLEARING, SURVEILLANCE FOR DISGUISED MULTIPLE SHARE APPLICATIONS WHERE THESE ARE FORBIDDEN CALCULATION AND NOTIFICATION OF SHARE ALLOCATIONS, THE RETURN OF EXCESS FUNDS (WHETHER WITH OR WITHOUT ACCRUED INTEREST), THE REGISTRATION OF SHARES, AND THE ISSUE OF SHARE CERTIFICATES, WILL TOGETHER CONSTITUTE AN ADMINISTRATIVE CHALLENGE TO ALL THE PARTIES CONCERNED. THIS CAN BE DAUNTING WHEN THE NUMBER OF APPLICATIONS RUNS TO TENS OF THOUSANDS OR MORE. HOW THE PROCESS IS HANDLED WILL INFLUENCE PRIVATE AND INSTITUTIONAL INVESTORS' INTEREST IN PARTICIPATING IN FURTHER PUBLIC OFFERINGS. A SIMILAR BURDEN MAY ALSO EXIST WHEN DEALINGS FIRST START, IF SECONDARY MARKET TRADING IS PARTICULARLY HEAVY. INVESTOR APPETITE FOR PUBLIC OFFERINGS WILL BE GREATLY ENHANCED IF PRICING IS SUCH THAT THE OFFER PRICE TRANSLATES INTO A PREMIUM ONCE SECONDARY MARKET DEALINGS COMMENCE.
26. OTHER MEASURES ARE ALSO NEEDED TO PROMOTE WIDE SHARE OWNERSHIP AT THE TIME OF A PUBLIC OFFERING: ADVERTISING, MARKETING, PRESS AND RADIO COMMENT ALL NEED TO BE ARRANGED, TOGETHER WITH FACILITIES FOR INVESTORS TO PICK UP PROSPECTUSES AND APPLICATION FORMS FROM POST OFFICES AND BANK BRANCHES THROUGHOUT THE COUNTRY, AND TO HAND IN COMPLETED APPLICATIONS.

EQUALLY IMPORTANT IS THE NEED TO SIMPLIFY AND FACILITATE SHARE APPLICATIONS BY THOSE WHO MAY HAVE HAD LITTLE OR NO EXPERIENCE OF FINANCIAL INVESTMENTS OR DEALINGS THROUGH FINANCIAL INTERMEDIARIES, OR WHO MAY NOT EVEN POSSESS A BANK ACCOUNT ON WHICH TO DRAW A CHEQUE TO SEND WITH A POSTAL SHARE APPLICATION. EVEN IN MATURE AND SOPHISTICATED MARKETS, PRIVATISATION SHARE OFFERS INTENDED TO GENERATE WIDE PUBLIC INTEREST MUST BE MADE AS SIMPLE AND EASY TO UNDERSTAND AS POSSIBLE.

PRIVATE PLACEMENTS OF SHARES

27. PRIVATE PLACEMENTS DO NOT NEED TO MEET THE FULL REGULATORY REQUIREMENTS OF PUBLIC OFFERINGS, BECAUSE THEY ARE NEGOTIATED BETWEEN PROFESSIONALS, AND ARE NOT ADVERTISED TO THE GENERAL PUBLIC. CONSISTING, AS THEY DO, OF LARGE BLOCKS OF SHARES, OFTEN ALONGSIDE A TRADE SALE, THEY CAN BE ATTRACTIVE AND JUSTIFIABLE INVESTMENT FOR THE FUND MANAGERS OF INSURANCE FUNDS, PENSION FUNDS, AND OTHER PROVIDENT FUNDS THAT CAN TAKE A LONG TERM VIEW AND WHOSE TRUST DEEDS PERMIT SUCH INVESTMENTS IN UNLISTED SHARES. FINANCIAL INSTITUTIONAL INVESTORS SUCH AS THE NATIONAL INSURANCE CORPORATION OF TANZANIA AND THE NATIONAL PROVIDENT FUND, WHOSE ROLE AND IMPORTANCE CAN ONLY GROW OVER TIME, SHOULD BE TARGETS FOR PRIVATE PLACEMENTS.