

## S.6 GENERAL PAPER HOLIDAY WORK.

### TERM 1 2025

**Study the information below carefully and answer the questions that follow:**

In Malawi, the government decided to implement the divesture of state enterprises in 1999. Many State-owned enterprises were divested and were acquired by private individuals / companies. Within that year 22 companies were lined up for divesture. These fell into three categories i.e.

A: - Those companies within a net value of 100 million US dollars and above.

These were five companies in this category.

B: - Those companies with a net worth of between 40 and 100 million dollars.

Five companies were divested in this category.

C: - Those companies with a net worth of between two and forty million US dollars.

Twelve companies were divested in this group.

The conditions for the divesture of the listed companies were as follows:

- i. For companies in category **A** only 49% of company value could be divested to the private investors.
- ii. Companies in category **B** only 25% of company value could be divested.
- iii. For Companies in category **C**, there would be 100% divesture to the private investors.
- iv. The divested funds would be paid within six months of signature of divesture papers.
- v. The Investors in companies in Category **A** and **B** would have to pay to Government the divesture funds in US. Dollars.
- vi. For companies in category **C**, all divested funds would be paid in local Currency.
- vii. Investors in companies in category **A** would have to pay a non-refundable retainer commission of 0.8% of company value.

**N.B:** The exchange rate of the US. Dollar to the Malawi Kwacha is 1:1850.

**The table below shows the Companies in Category A and B that were divested in 1999:**

<b>Category</b>	<b>Name of Enterprise</b>	<b>Net worth in Million US. Dollars</b>
<b>A</b>	1. Steel Corporation of Malawi	123.5
	2. Blantyre Sugar Corporation	117.3
	3. Malawi Breweries Ltd.	174.8
	4. Central Transport Company	131.6
	5. Century Beverages Ltd.	112.7
<b>B</b>	6. Nyanza Textiles Ltd.	82.4
	7. Malawi National Entreprises Ltd	75.3
	8. Integrated Hides & Skins of Malawi	46.6
	9. National Pharmaceuticals Ltd.	33.6
	10. Malawi Import & Export Ltd.	93.5

**Questions:**

- (a) How much did the government of Malawi earn from the sale of the divested companies in category **A** and **B** in 1999. Show your working. (10marks)
- (b) (i) Mr. Ochodo, a powerful businessman in Malawi snapped up Malawi Breweries Ltd and Nyanza Textiles Ltd. What amount did he pay to government in local currency equivalent?
- (ii) How much was raised from the retainer commission in US Dollars? (8marks)
- (c) Three of the companies divested in category **C** had a value of US Dollars 1.8m, .23m and 1.13m respectively. How much did government earn from this divesture? (6 marks)
- (d) What are the benefits and challenges of the privatization process in your Country? (16marks)