

Mozambique steps up free enterprise

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MAPUTO — Five years after shifting from a centrally-planned to a free-market economy, Mozambique is raising its efforts for a giant step in the liberal direction.

Top on the government's economic agenda are plans to sell a large number of state-run enterprises to the private sector.

By RACHEL WATERHOUSE

The benefits may be less than the government hopes for. While Mozambicans lack capital and incentives, foreigners are wary to invest in this war-torn Southern African nation, where old, bureaucratic attitudes die hard.

The privatisation programme began in 1990 when the country had almost 600 nationally-registered enterprises, about half of them publicly-owned or controlled.

Some of the enterprises were created by the state, but most were "intervened" companies, taken over by the government to keep up production and employment after independence from Portugal in 1975 when the vast majority of the former colonial owners fled.

In the last decade, the companies have faced enormous problems and performed miserably, many falling into heavy debt and costing the state about 30 million (US) dollars in financial support in 1991.

The main causes of the problems, according to the World Bank, include lack of skilled manpower, outmoded technology, overcentralised economic policies, a drastic fall in export earnings, and damage and insecurity caused by the 16 years of civil war.

International donors and creditors have now made it clear that further aid to Mozambique, classified by the World Bank as the world's poorest and most aid-dependent nation, depends on economic reform.

Mozambique's Finance Minister, Encas Comiche, says the most important element of his government's current reform programme is to privatise state-run enterprises.

At least 120 small and medium-scale state enterprises have already been sold off since 1990.

Last month the finance ministry came out with a short list of "large and complex" state-run companies — some of strategic importance to the national economy — to be privatised.

The first six to be sold this year include "Caju de Mocambique" (cashew processing), "Cometal Momental" (building train wagons) and "Ifloma" (forestry project).

Cde Comiche says the programme aims mainly to bring in new technology and management skill and improve efficiency and production through the private sector, leaving the state

to concentrate on providing the basic services.

But Mozambique's economists and businesspersons are sceptical about the benefits privatisation may bring, and even complain of "re-colonisation" by foreign investors.

Former agriculture minister and business consultant, Cde Joao Ferreira, points out that Mozambicans never saved capital due to centuries of colonialism followed by years of socialism, and now face discrimination from banks which refuse them credit.

When the government began privatising, he says, it promised priority to Mozambicans, especially ex-combatants who fought in the war for independence.

As a member of the national ex-combatants society, Cde Ferreira was involved in bidding to buy a state-owned company.

"We were only given 30 days to come up with the cash, and so, like most Mozambican would-be investors, we had to get help from a foreign partner. Now, he wants majority shares that would give him control of the company," says Cde Ferreira.

However, Cde Comiche says foreign investment in privatised state industry, so far, has been insignificant.

The whole process of transformation from state to privately-managed company is painstakingly slow, says Cde Carlos

Henriques, assistant director of "Lomace", a joint enterprise between Mozambique and Lonrho, a British-based company.

"You have to be very patient," he says. "The government departments just don't have the qualified staff to negotiate."

One British business consultant, who asked not to be named, says foreign businesses have withdrawn millions of dollars worth of investment offers to Mozambique because the privatisation process is very slow.

"Willingness to change is there at the top, but at mid-level, government workers are still reluctant over privatisation and they don't have the experience to make market based decisions," he told IPS.

He also blames political insecurity, saying: "After all, the country still has two warring parties, and elections are expected after a ceasefire. Nobody wants to take a bad decision and get on the wrong side."

The ceasefire is expected from the on-going peace talks in Rome, Italy, between the Mozambique government and the rebel Mozambique National Resistance (MNR) — better known by its Portuguese acronym, Renamo.

Nonetheless, "depending on how much money you have, there are very good possibilities for foreign investors in Mozambique" says Cde Henrique. — Ziana-IPS.