Mozambique's ambitious privatisation plan

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WHILE the world waits for South Africa to spell out its privatisation plans, next door, Mozambique has thundered ahead with a far-reaching privatisation programme.

By the end of February this year, Mozambique's government had privatised 21 large, strategic enterprises, and plans to privatise a further 40 or so over the next two years, said World Bank resident representative Simon Bell at a regional press seminar in Windhoek.

By the end of 1996, says Bell, most industrial sector activity would be in private hands. "The process is now accelerating with the sale of the cement plants to Portuguese interests, the cashew nut processing plants to Mozambican and other interests, and the sale of soft drink plants."

The sale of the breweries, additional cashew nut plants, coastal shipping operations, and plastics factories is being negotiated with serious bidders.

The irony is all the more obvious against the strongly socialist stance of the Frelimo government in the past. To be sure, South Africa did not nationalise to anything like the extent that Mozambique did after its independence, and so there is not as much to privatise.

One of the main concerns of the World Bank, said Bell, was the dramatic decline over the past seven years in the relatively well-diversified and dynamic industrial sector Mozambique had at independence.

On the agricultural front, as part of what could be construed as a kind of recolonisation, Anglo American is coming back to work its old cashew nut processing plant at Xai Xai, though Mozambican investors have put money in as well. Mozambique now produces 10 percent of the cashews it did at its peak.

International investors were also involved in cotton, Bell revealed, with Lonrho in a joint venture operation.

Recently there have been moves to privatise some of the large sugar, copra and tea estates.

Fisheries were among the first to be privatised and sold to, among others, Mozambican, Spanish, Portuguese and South African interests.

In transport, feasibility studies are underway for a toll road from Komatipoort to Maputo, and similar private sector initiatives may be possible through the Beira corridor. There could also soon be private sector involvement in the national airline, LAM, and there is already involvement in Maputo port.

Along with financial sector reform which allows new banks to be licensed in Mozambique, the government recently announced that Mozambique's two state banks, which account for about 70 percent of total banking system assets, would be privatised.

Investment is not confined to privatisation: Fortune 500 company Enron is involved in a $30-million Pande gas field study. If the project, in which the World Bank is playing a catalyst role, comes off it will be a big foreign exchange boost, bringing in $200-million a year for a $400-million to $600-million investment.

It is no surprise that much of the private sector investment comes from outside, specifically South Africa and ex-colonial master Portugal. Mozambique is the world's poorest country, with a 1993 national income per head of $80. It is also one of the world's most aid-dependent countries, with aid pledges made in March of $800-million constituting a big chunk of the country's gross domestic product of $100-million.