Mozambique looks to benefits of peace

If the current peace talks between the Mozambique government and the Renamo rebels succeed, then Western promises of investment to upgrade Southern Africa's transport infrastructure could become a lucrative reality. THOMAS LAND reports.

PEACE in Mozambique may soon lead to the release of $2 billion guaranteed by a group of Western countries to finance the development of transport infrastructure in Southern Africa.

The money has been earmarked by the UK and several of its rich Western partners for a programme to unclog the trade arteries of that hungry continent, liberating the vast export potential of poor countries starved of foreign exchange.

Members of the Consultative Group for Mozambique, comprising largely the same Western investors, have just met in Paris to underwrite an additional $1.4bn aid a year over 1990-93 for that former Portuguese colony.

Several vast industrial development projects worth over $2bn more in foreign investment are also being launched, attracted by the first real prospect of peace in Mozambique after 13 years of civil war exploited by foreign interests.

Zimbabwe and Malawi as well as Mozambique are members of the Southern Africa Development Co-ordination Committee which has persuaded a group of big donors — including the UK, the US, the European Community, Canada and Japan — to commit over $2bn for the construction of transport infrastructure in the region. The money is still unspent.

Mozambique's ability to guarantee an unhindered and widening traffic flow through the Beira corridor could turn the promise into lucrative reality.

Mozambique recently undertook a structural adjustment programme endorsed by the International Monetary Fund in order to make itself acceptable to foreign investors.

The Paris conference of the Consultative Group for Mozambique, which was chaired by the World Bank, significantly expressed approval of the government's economic policy. This will encourage further investment.

The initial signs of faith in the future of Mozambique have already attracted a spectacular series of contracts and feasibility studies for the exploitation of the country's abundant natural resources:

- Kenmare Resources, the Dublin-based mining company, has just announced its decision to invest $100m in a mineral sands project. Commercial production will start in 1992, generating an anticipated annual revenue of $44m. The company intends to build a jetty to handle ships of up to 30,000 tonnes.
- Mozambique's National Directorate of Mines says it has reached the conclusive phase of contract negotiations on several big projects involving foreign investors. One of them is a $600m exploration and development agreement with British Petroleum and Cluff Minerals (UK) for mineral production and another mining venture with Anglo-American of South Africa.
- A promising $200m programme for the development of the Pande gas field is expected to win World Bank support covering 25% of its capital development costs. The British multinational Lonrho as well as Anglo-American and the Italian company Mount Edison have expressed keen interest in the venture.
- A separate joint venture links Lonrho with the mines directorate in open pit and underground gold-mining. The US company Edlow Resources is involved in heavy metals exploration. The Italian and Bulgarian governments are engaged in projects for the exploitation of graphite and marble.
- Mine and transport feasibility studies are already under way investigating a $1.2bn project for the development of the Moatize coalfields. A series of negotiations, involving competition by British, Japanese, Brazilian, Soviet, Italian and other interests, may well lead to a development agreement in about 18 months.

The country's classic structural adjustment programme comprises measures to liberalise the national economy.

The Mozambique Liberation Front, the Marxist ruling party, has broadened its power base and has approved the government's policy of negotiating peace with the rebels. Its efforts at national reconstruction follow a war that has claimed up to 700,000 lives and created 1.6m refugees in a country of 15m people, has consumed well over 40% of the gross national product, and has destroyed thousands of schools and hundreds of rural health clinics.

The costs cut across all sectors of the economy.

Military spending has diverted enormous resources from the development of the region, says the World Bank in an important new analysis.

The book — Sub-Saharan Africa: From Crisis to Sustainable Growth (the World Bank, Washington) — explores the long-term perspective of some of the poorest countries of the world which have recently experienced a series of natural and manmade disasters including war and famine.

It says: "Exports have suffered and import costs have risen, as transport routes have been disrupted, forcing land-locked countries to use circuitous routes through South Africa.

This has resulted in lost revenues and higher costs for these countries — as much as 40% higher for Malawi."