

Mozambique to privatise two state plants

THE MOZAMBIQUE GOVERNMENT is to privatise the state owned loss-making companies of timber producer IFLOMA and clothing manufacturer Soveste EE because of their low production and inadequate use of plant in the hope that they will become cost effective, introduce competitively priced products and expand their production range.

The government is looking for either local or international buyers who are prepared to take a majority stake in the equity, but allowing government to hold at least 20%. Its objectives are to restructure the companies' financial situations because of low productivity and insufficient use of installed capacity.

In regard to IFLOMA the government wants private entrepreneurs to expand production to include related industries such as pre-fabricated house production and furniture manufacture.

The company employs 665 workers and has fixed assets valued at US \$2.6-million. Sales in 1993 were \$715,000 at a loss of \$265,000. Only a quarter of the company's sawn wood production is being used and its national market share is 23%.

The government says management is inefficient and has difficulty in accessing external markets but with the country's security situation improving there are prospects for substantial growth in the housing and furniture markets.

It sees privatisation of Soveste EE -- the largest of the six remaining clothing manufacturers in an industry in profound crisis -- resulting in the introduction of new technologies, management and expertise which in turn would lead to company viability and expansion of its local, regional and international export markets.

Soveste, which runs four plants in Maputo at 25% of capacity, had 1,383 employees in 1992 and sales of \$1.1-million at a loss of nearly \$1-m. From 1989 to 1992 it paid a little under \$60,000 in tax, none in 1992.

Comment

It is stories like these about the failure of nationalised industry and command economy management that have helped persuade ANC socialists to accept free enterprise as the vehicle for the required expansion of the SA

economy to contend with demands and expectations.

The disclosures of the actual conditions in the two companies is also an indication of the severe deterioration of Mozambican industry and business. The stories are little different from those that emerged in Eastern Europe and Russia after the collapse of the communist regimes there.

Though the Mozambicans are trying to paint a rosy picture of the prospects for the companies following the arrival of peace in the country, they may find themselves faced with a similar reluctance by investors as the East Europeans did. The run-down state of the plants, low capacity production and a deeply recessed local economy are not seen as opportunities that Western industrialists leap at.

However, the peace factor and the emergence of neighbouring South Africa from its devastating drought and recession may give a more favourable slant to the picture.