

# Privatization With Indigenous Face, Fails In Tanzania

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Dar Es Salaam - Here is a real situation: Along the course of the privatization in Tanzania, about 95 enterprises went to Tanzanians, and 69 of them to indigenous. But until recently many of buyers of these 69 enterprises were still unable to meet even the minimum conditions necessary to sign memorandum of understanding on the sales. They have been consulting bankers for loans, but in vain. They have also tried to ask the government to be given the enterprises free of charge, again they are likely to fail as well.

The situation has attempted analysts conclude that, "The economic and social costs of privatization process in Tanzania has outweighed the benefits accrued from the whole exercise."

They express that the impact of privatization in the country like in many other African countries, to the indigenous Tanzanians has been very negligible.

Since started mid 1980s the economic reform including privatization, unemployment rate has increased in Tanzania. Others say that while over 700,000 new job seekers join the labor market in Tanzania every year, only about 30,000 of them get employment.

An ordinary Tanzanian has seen in last eight years since Parastatal Sector Reform (PSRC) began the exercise was the transfer of companies ownership to foreign investors.

In his recent speech Minister of state in President's Office Mr. Nasoro Malocho said 295 parastatals have been privatized out of 395 earmarked for privatization.

He mentioned the weaknesses of the privatizing institution, difficulties to get credible buyers, treatment of retrenches in terms of their benefits, valuation of assets and how to assist the indigenous Tanzanians in the whole exercise, as among the problems.

"All these constraints have in one another shortcomings to smooth privatization process. Constraints, like valuation of assets and credibility of buyers has sometimes affected the privatization process," he said.

An example of this privatization is a centrally situated Kilimanjaro Hotel in Dar Es Salaam which has failed to get a buyer since 1996 when its privatization process began.

Another example of controversial privatization is the sale out the giant NBC 1997 Ltd., the former National Bank of Commerce which was split into two banks before it was sold. Instead of being sold at Tanzanian shillings 21 billion as it was earlier agreed it was only sold at Tanzanian shillings 15 billion only. Two senior Tanzanian government officials had to go fly to South Africa to re-negotiate again.

However the Amalgamated Bank of South Africa management said the valuation was overvalued.

How the money accrued from the sale of parastatals is being used remain questionable.

Last year in the National Assembly it was announced that over Tsh. 146 billion have been accrued from the sale of parastatals however, how the money has been spent is not known. At least some of the money was supposed to be injected in the Privatization Trust Fund to assist indigenous Tanzanians to buy shares in privatized public enterprises.

The story is different in case of Mozambique where from 1987 1200 parastatals were put on sale to date 900 enterprises have been privatized.

However there cases where privatization process has been put off because of what has been said too much bureaucracy.

The legacies of long wars and the state mismanagement have left scars on the economy.

Rampant corruption also left the enterprises paralyzed and without any capital base to continue with operations.

However to safeguard economic empowerment of citizens, the government adopted a policy of reserving 20 percent of the share capital in all privatized enterprises for all staff and other local investors.

Zimbabwe has ambitious program to privatize to 40 out of 50 government owned enterprises to raise 108million US dollars.

The exercise is earmarked to be completed by the year 2002.

Privatization in Malawi has been a success story for the most enterprises except for few irregularities.

Irregularities emerged in the intended disposal of government shares in the Small holders Fertilizer Revolving Fund.

However, the Privatization Director Mr. Dye Mawindo says Malawians are benefiting from the reallocation of government funds to community services rather than loss-making public enterprises which strained government budget and drained scarce financial resources.

Zambia says the program has failed because it has not attracted sufficient investments to resuscitate the economy.

Zambian financial analyst Mr. Alfred Ndhlovu says "Though Zambia has taken a lead in the privatization process, very little has been done to take into consideration the consequences of privatization process, very little has been done to take into consideration of privatization.

Government should have put in place certain safety measures before privatizing parastatals.

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