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# A vision of (and for) Mozambique

Excerpts from the speech – ‘Reflections on Mozambique’s Economy over the Last 40 Years’ – given by Prakash Ratilal on 29 June 2015

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## PRAKASH RATILAL

→ Prakash Ratilal has an extensive track record at the Banco do Fomento Nacional bank in Lisbon, which he joined while still a student. At 24, he was awarded a degree in Economics from the Faculty of Economics at the Technical University of Lisbon’s Institute of Economic and Financial Sciences.<sup>1</sup>

In that same year (1975), the year in which his homeland, Mozambique, gained independence he returned home and was appointed Chairman of the Board of Directors of the Montepio Bank of Mozambique. At 27, he became Vice-Governor of the Bank of Mozambique and at 31, was appointed Governor.

→ After a period of collaboration with the United Nations, where he took on a variety of tasks, from Consultant to the

Governments of Angola and East Timor and Member of the Panel of Eminent Persons on United Nations Relations with Civil Society to Special Adviser to East Timor’s President, Xanana Gusmão, in 2001, he took on the Presidency of the Moza Banco bank, alongside his Chairmanship of the Board of Directors at Moçambique Capitais, S.A.

→ Prakash Ratilal says the most important lessons he learned during his career are ‘the need to be bold without fearing failure, never giving up, investing in people who can turn ideas into realities, understanding success comes from involving the greatest number of stakeholders, having a vision and strategy that everyone agrees with and sharing its results’.



Prakash Ratilal.

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**Prakash Ratilal** was born in Mozambique in March 1950 and instrumental in the process that led to the country's independence and building of the Mozambican state.

In his speech at the Polana Hotel in Maputo, Prakash Ratilal looked back at Mozambique's progress after gaining independence on 25 June 1975, considering it from an economic, political and social perspective. Economically he undertook 'a cold analysis of the incidents that took place in the immediate run-up and which impacted and moulded the future of Mozambique', and gave the following examples 'demonetisation of the official price of gold, which changed relative worldwide prices forever, the change from a fixed exchange-rate system to a flexible exchange-rate system, and the first oil-related shock; the drastic rise in the price of oil from US \$2.90 to US \$11.65 per barrel in just three months!'

"These factors," he explains, "were devastating in their effect on a poor country like Mozambique, with its fragile institutions and severe lack of qualified personnel, on the verge of independence and relying only on its exports and farm produce. In the final years prior to independence, the colonial economy was showing considerable structural imbalances in its balance of payments and balance of trade."

Mr Ratilal remembers: "Mozambique's independence came in the context of considerable East-West confrontation, since no Western support for the independence movements had been forthcoming, with the exception of the Nordic countries." He adds: "Members of Parliament in Mozambique's first Government as an independent country were charged with the mission of ensuring national unity, building the State and profoundly transforming the economy and society; yet they were mostly young – under the age of 35 – with little experience of social, economic and financial management. A gargantuan task indeed, particularly when responsible for; the smooth-running of the economy (in a country where the majority of leadership positions in trade, industry and services were occupied by colonists who had since left the country), investment in education (only 7% of the population over the age of seven could read and write and there was only one university in the whole country), the creation of a healthcare system (almost non-existent for the majority of the population whose average life-expectancy was 44 years), and the building of the State's institutions (almost always from scratch!)."

The situation following independence was difficult. He continues: "A severe shortage of qualified professionals with little economic management experience. Political instability, in the aftermath of the attacks carried out by the then regime in Southern Rhodesia, condemned by the United Nations for its unilateral racist declaration of independence, which destroyed important infrastructures in a war that led to (...) and damage to the tune of several hundred million dollars (...) according to various UN agencies."

But the Government was determined not to give in. Mr Ratilal recalls the decisive moments for the country: "The Government launched an organisational offensive to reorganise the production and circulation of goods, encourage family production and green spaces and privatise certain sectors it felt it should not be responsible for."

**“A vision in itself is not enough – it has to be credible and based on reality. Everyone must roll their sleeves up and get on with the job.”**

After 1980, Mozambique forged closer ties with the West, especially the United Kingdom. He reminds: “A period of relative peace and quiet followed, during which there was an acceleration in the intensive training of personnel, the Metical was introduced as the country’s new national currency, in 1982 there was a renewed focus to encourage the country’s private sector and open it up to foreign capital and in 1984 work began on preparations for the country to join the International Monetary Fund and the World Bank Group. A Draft Indicative Plan was also drawn up to promote and develop the country’s natural resources.”

“From the late 1980s,” he reports “there was a period of terrible destabilisation with a general decline in production, rapid devaluation of the currency on the parallel market, the need to introduce rationing cards in cities to ensure people had access to staple foods and the rationing of fuel, which was generously supplied with concessionary credits by Algeria, Libya, Iraq and Angola.

“This ‘destabilisation war’ required tough political, economic and diplomatic action, with various missions to foreign countries such as Portugal, France and the United Kingdom, the signing of a good neighbourhood agreement with South Africa, the conclusion of the first restructuring of Mozambique’s external debt and the drawing up of an Economic Action Programme allowing greater growth in Mozambique’s private sector which mobilised new funds into the national economy.”

Once the country formally joined the IMF, Mozambique’s President, Samora Machel, was received in Washington by US President Ronald Reagan.

The country’s economic situation was improving and so too was other countries’ views of Mozambique. However, trying years lay ahead for Mozambique, due to its destabilisation, aggravated by the apartheid regime. This was known as the 16-Year War, as Mr Ratilal explains: “In the late 1980s, the destruction and successive droughts and flooding meant the people of Mozambique found themselves in the midst of a human tragedy on a massive scale, but the rest of the world was scarcely even aware of it. In 1989, I wrote a book, *Enfrentar o Desafio (Facing the challenge)* where, based upon United Nations data, I wrote that 200,000 children did not know the whereabouts of their parents and over 5.6 million were displaced and affected. Of these, around one million had taken refuge in neighbouring countries.”

He underlines the importance of the collaboration between various Non-Government Organisations, the United Nations and Ministries, who made a decisive contribution to save lives and rehabilitate the country economically and socially.

Prakash Ratilal’s vision for the risk and insurance market in Mozambique is closely connected to the country’s economic development. He believes the current outlook is extremely hopeful and suggests if a number of positive factors come together, Mozambique could be one of a few countries to deliver great economic growth from 2020 onwards. He foresees this growth will require an expansion in financial services, particularly insurance, reinsurance and broking (expected to grow exponentially). Cover will be needed for the various risks associated with the development of the hydrocarbon industry and its infrastructure, the development of ports, railways, the forestry industry, tourism and agribusiness etc. In light of this, he considers the management of these risks and their transfer to the insurance sector will require specialists of international quality, something currently unavailable in Mozambique.

Despite the tragic circumstances of the late 1980s and early 1990s profoundly marking the people of Mozambique and significantly impacting the country’s economy, he opines: “It was the young people of the generation of independence, alongside Mozambique’s liberators, whom I am proud to be a part of - they held the country together in those early years. This generation became known as the ‘Generation of 8 March’. Many agreed to interrupt their studies and answer the call to go to the districts and production units, various 8 and 9 grade students taught classes to their younger peers and others agreed to study abroad. Today, these are the people who occupy the top positions in the economic and social life of Mozambique.”

For education, the future looks promising. Prakash Ratilal concedes, however, there is still a long way to go: “In 2012, some 5.3 million pupils were attending primary school, while there were 760,000 and 197,000 attending the first and second years of general secondary school.

“And did we make mistakes? Of course we did. Was it worth the sacrifice? It was hard, but of course it was. Forty years on, the country benefits from high sustainable growth rates and has a promising future based on the exploitation of natural gas (it has the third-largest reserves in the world), hydroelectricity, mineral resources, agribusiness, tourism and nature conservation.”



He continues: “Mozambique to some extent remains indivisible, Mozambican society prefers to be non-confrontational and resolve disagreements by themselves. Regular elections have made democratic changes to Government and the country is making good progress. There are still challenges to be faced, including; peace and stability, job creation, the promotion of good business practices and entrepreneurship, a reduction in imbalances and asymmetries, a fairer distribution system and a more inclusive society.”

Mr Ratilal concludes by sharing his vision for Mozambique: “The current situation, the natural resources Mozambicans depend upon and of course, the worldwide market, can change the fortunes of this country, to the benefit of all citizens. This requires however, agreement and understanding between the various political and social players, a desire for the definitive restoration of peace, a priority focus on agricultural development and the promotion of skills and schooling, public policies aimed at the development of a competitive economy, greater management capacity for public companies, better quality management for micro, small and medium-sized companies, the promotion of a business climate capable of attracting major investment in a credible atmosphere where business-related conflicts can be expected to be

resolved and legislation/contracts complied with, severe penalties for acts of corruption and finally, greater transparency and the introduction of a framework that enables us to become a more competent state.

“To achieve this, it requires close collaboration and commitment by all Mozambicans, greater national cohesion and tolerance of everyone’s differences and beliefs, more inclusive policies and better distribution networks. We have a window of opportunity to build a more prosperous and peaceful future – a historic moment that Mozambicans cannot afford to miss.”

Prakash Ratilal’s final message is clear: “These are tasks involving every generation. Everyone must conquer their own space and do specific things. A vision in itself is not enough – it has to be credible and based on reality. Everyone must roll their sleeves up and get on with the job.”

An undeniably inspiring testimonial from a Mozambican who knows the past, helped build the present and is now treading the path that will build his country’s future. •