



CHATHAM HOUSE

Chatham House, 10 St James's Square, London SW1Y 4LE

T: +44 (0)20 7957 5700 E: contact@chathamhouse.org

F: +44 (0)20 7957 5710 www.chathamhouse.org

Charity Registration Number: 208223

Transcript

Social Reform and Economic Transformation in Mozambique.

Luisa Diogo

Chair of the Board, Barclays Bank Mozambique SA; Prime Minister (2004-10), Minister of Finance and Planning (1999-2004), Mozambique

Chair: Alex Vines

Research Director, Area Studies and International Law; Head, Africa Programme

11 November 2013

The views expressed in this document are the sole responsibility of the author(s) and do not necessarily reflect the view of Chatham House, its staff, associates or Council. Chatham House is independent and owes no allegiance to any government or to any political body. It does not take institutional positions on policy issues. This document is issued on the understanding that if any extract is used, the author(s)/ speaker(s) and Chatham House should be credited, preferably with the date of the publication or details of the event. Where this document refers to or reports statements made by speakers at an event every effort has been made to provide a fair representation of their views and opinions, but the ultimate responsibility for accuracy lies with this document's author(s). The published text of speeches and presentations may differ from delivery.

Luisa Diogo:

Dear Friends of Chatham House, ladies and gentlemen.

It is a great honour and a great privilege to speak here at Chatham House, home of the Royal Institute of International Affairs, before the world-leading independent analysts, who share a deep interest in international affairs, independent thinking and debate.

I begin by expressing my profound gratitude to Chatham House for giving me the opportunity to present my book *Soup Before Sunrise: From the Reforms to Economic and Social Transformation of Mozambique 1994 - 2009*.

The idea of writing a book is not new. However, it was only possible to transform the idea into reality after my cessation of duties as Prime Minister of Mozambique in 2010.

At that time, I was aware that after terminating service in dynamic areas such as those that I had the privilege of serving, three paths would be advised:

- first; take a vacation
- second; take a sabbatical or an academic partnership with an educational institution such as a university, to share my experiences in governance without having to express only the politically correct
- third; write a book about something relevant

Since I had come from tasks of extreme pressure, I decided to follow the three pieces of advice simultaneously.

So first I went on a vacation to meditate for a month. I went to Quilalea Island, North of Mozambique, went to Gorongosa Park in the centre of Mozambique, and spent the rest of my holidays in my house, in one of the most beautiful places in the world - Bilene. And that was good, because for many years I could not do that.

Second, I was invited to join The Polytechnic University of Mozambique as an advisor for the School of Advanced Studies and Business and I accepted.

And then I finally started writing the book, which I had wanted to do for so long.

Being so young (as you can see) I would not, in any way, write an autobiography. I decided to bring back the memories of what had most impacted me as a decision-maker during my mandates in government as a Deputy Minister, Minister of Planning, Minister of Finance and Prime Minister — the idea was to bring what seemed to be more in the surface. So came *Soup Before Sunrise*.

The 'soup before sunrise', eaten at a Chinese restaurant at 04:30 am on 17 November 2001, in Paris, in the area of Bercy, was an unforgettable landmark. Unforgettable not only for its practical and biological significance, but also for its symbolism, because that debt forgiveness called the HIPC initiative gave the final impetus to Mozambique's economic growth.

It was a real soup before sunrise, on a winter's night. It was bitterly cold, a cold accompanied by a stubborn and irritating drizzle. This episode embodies and synthesizes all that Odyssey that I witnessed and participated — the struggle for development of Mozambique.

The Debt Forgiveness

This episode of us applying for the enhanced HIPC debt forgiveness is fascinating. There had been other debt reschedulings ever since 1984. When we came to the fifth rescheduling, in 1997, we realized that the debt was unsustainable – that is, that the reconstruction development plan could not be implemented with that debt, because about 75% of the resources should have gone towards debt servicing. There was one debt that we were paying and another that was pending.

So we decided to seek debt forgiveness. We had the first HIPC, corresponding to the sixth rescheduling. Later we saw that, even so, the debt remained unsustainable, because it was a pardon of only 75% of the eligible debt. So we went on to enhanced HIPC, which was in 2001, the year when we asked for conditions that had not been envisaged.

There it was proved that, when we have a clear programme and convictions, and are defending a just cause, the partners end up by giving way. We wanted larger debt forgiveness than they were offering. We wanted the money to be used for education, health, water supply and roads. We had already shown, in HIPC-1, that our country was serious, with a serious and far-sighted leadership. We had the evidence in hand that we were serious, and our macro-economic indicators showed that.

The partners realized this and they had to yield, but it wasn't easy.

Dear Friends, so much is omitted on Africa's transformation and development. The years from 1986 to 2009 formed a very rich period in Mozambique's history. What I have tried to do in this book is report what most impressed me and where I participated most directly. In this period, a great deal happened in the country. This contribution is a drop of water in the sea of events and facts of the Mozambican process.

When you eat this soup, you will realize the different taste from the different ingredients of this dish. Something sweet and sad and other times exciting, but with so many lessons learned.

There came a moment in Mozambique's transition period when the government decided the country could not remain as a centrally planned economy and an emergency economy. It

rolled up its sleeves and decided to shift to market oriented economy by embarking on reforms and national reconstruction, simultaneously and finally to development. It was necessary to identify problems, build strong partnership, define priorities, draw up the most adequate strategies and advance. Apart from aiming for economic growth, the government's policy insisted on the holistic vision of development, thus looking also at social, cultural and environmental aspects.

The question was posed as to which areas the economic and social reforms should concentrate on, with priority given to areas that would create jobs. It was obvious that we ought to start by rebuilding productive capacities that could create jobs and combat poverty, and the first sector chosen was the cashew industry. However, this did not work the way we planned because it was not possible to reach an agreement with the World Bank, and the Bank's strategies brought the cashew sector to ruin.

This negative experience forced the Mozambican government together with international partners and civil society, such as Joseph Hanlon, to take, rapidly, greater leadership in defining adequate policies for a market economy and involving more Mozambican stakeholders in the preparation of the strategies. The training of Mozambican staff in techniques for negotiating with the international financial institutions and with foreign partners was permanent. It was in this context that we intensified the professional training of the decision-makers. Programmes such as SOAS with University of London were intensified in different fields. It was thus that, despite all the inherent difficulties, it was possible to pursue the reforms in a sustainable manner transforming the Mozambican economy.

Dear friends, the current volume of investment, in the various areas of the Mozambican economy, including minerals, tourism, real estate, construction, agriculture, results from a visionary leadership, with firm strategies, and consistent and persistent work by Mozambicans. I am proud when I see that our country, Mozambique, is now cited across the entire world, and I believe that this will continue.

Mozambique has sustained strong economic growth over nearly two decades, helped by foreign investment, mainly in mega-projects in the natural resource sector, and generous support by development partners

Mozambique's economy remains robust, despite a still-fragile world economic environment resulting from the financial crisis. Reflecting the rapid expansion in coal production as well as in financial services, transport and communications, and agriculture, Mozambique's real gross domestic product (GDP) growth reached 7,5 per cent in 2012. Real GDP is still projected to grow by around 7 per cent this year as mining expands further and overall agricultural production is set to recover rapidly.

Mozambique is set to become a world-class natural resource exporter with projections indicating that it will experience rapid increases in windfall revenues over the next several decades and well beyond. What makes the Mozambique discoveries particularly rich is that the sandstone layers containing the gas are thick — as much as 300 meters, or nearly 1,000 feet — indicating sizable reserves. Mozambique is classified as one of the top world class reserves of gas.

In the period of national reconstruction we were looking for lenders, donors and investors. Now everything seems more balanced. We look for partnership. Mozambique has changed and continues to change.

In the past, the talk has been of Mozambique in the colonial night, and then Mozambique during the national liberation struggle, Mozambique in the light of independence, Mozambique as a front line country in the struggle against apartheid, Mozambique as a victim of the war, Mozambique in peace and reconstruction, Mozambique in the fight against poverty, Mozambique of the mega-projects, aluminum, gas and coal. It's my conviction that there will have to be a great deal of talk about Mozambique undergoing development, not only with a growing per capita GDP, but also with decent and encouraging human development indices.

Despite the present challenges of internal conflict, all the foundations have been laid for Mozambique to continue to grow!

I dedicated this book to my father, given that to him, we women are equally capable and he gave me all the opportunities to succeed.

Ladies and gentlemen, here is the *Soup Before Sunrise*,

Enjoy it!