



DIRECTIONS IN DEVELOPMENT  
**Poverty**

45087

# Beating the Odds

*Sustaining Inclusion in Mozambique's  
Growing Economy*

Louise Fox



THE WORLD BANK

## Beating the Odds



# Beating the Odds

## *Sustaining Inclusion in Mozambique's Growing Economy*

Louise Fox

*with*

Rui Manuel Benfica, Malcolm Ehrenpreis, Melissa S. Gaal,  
Hakon Nordang, and Daniel Owen



**THE WORLD BANK**  
Washington, D.C.

© 2008 The International Bank for Reconstruction and Development / The World Bank

1818 H Street NW  
Washington DC 20433  
Telephone: 202-473-1000  
Internet: [www.worldbank.org](http://www.worldbank.org)  
E-mail: [feedback@worldbank.org](mailto:feedback@worldbank.org)

All rights reserved

1 2 3 4 11 10 09 08

This volume is a product of the staff of the International Bank for Reconstruction and Development / The World Bank. The findings, interpretations, and conclusions expressed in this volume do not necessarily reflect the views of the Executive Directors of The World Bank or the governments they represent.

The World Bank does not guarantee the accuracy of the data included in this work. The boundaries, colors, denominations, and other information shown on any map in this work do not imply any judgement on the part of The World Bank concerning the legal status of any territory or the endorsement or acceptance of such boundaries.

#### **Rights and Permissions**

The material in this publication is copyrighted. Copying and/or transmitting portions or all of this work without permission may be a violation of applicable law. The International Bank for Reconstruction and Development / The World Bank encourages dissemination of its work and will normally grant permission to reproduce portions of the work promptly.

For permission to photocopy or reprint any part of this work, please send a request with complete information to the Copyright Clearance Center Inc., 222 Rosewood Drive, Danvers, MA 01923, USA; telephone: 978-750-8400; fax: 978-750-4470; Internet: [www.copyright.com](http://www.copyright.com).

All other queries on rights and licenses, including subsidiary rights, should be addressed to the Office of the Publisher, The World Bank, 1818 H Street NW, Washington, DC 20433, USA; fax: 202-522-2422; e-mail: [pubrights@worldbank.org](mailto:pubrights@worldbank.org).

ISBN: 978-0-8213-7565-5  
eISBN: 978-0-8213-7566-2  
DOI: 10.1596/978-0-8213-7565-5

#### **Library of Congress Cataloging-in-Publication Data**

Fox, Louise.

Beating the odds: sustaining inclusion in Mozambique's growing economy / Louise Fox.

p. cm.

ISBN 978-0-8213-7565-5 (alk. paper) — ISBN 978-0-8213-7566-2

1. Poverty—Mozambique. 2. Mozambique—Economic conditions—1975- 3. Mozambique—Social conditions—1975- I. World Bank. II. Title.

HC890.Z9P6354 2008

339.4'609679—dc22

2008013545

Cover photo: World Bank

# Contents

<i>Preface</i>		<i>xiii</i>
<i>Abbreviations</i>		<i>xvii</i>
<b>Overview</b>		<b>1</b>
	The Record of Achievements	3
	Pursuing Pro-Poor Economic Growth in Agriculture and the Private Sector	14
	Building Human Capital by Getting Public Services Closer to the Poor	21
	Improving Governance and Accountability by Getting the State Closer to Its Poor Citizens	26
<b>Chapter 1</b>	<b>Poverty's Many Dimensions in Mozambique</b>	<b>39</b>
	Monetary Dimensions of Poverty	40
	Household Characteristics by Income Group	44
	Human Development: Looking beyond Income	45
	Vulnerability, Shocks, and Coping Strategies	48
	Drivers of Household Consumption	53
	Perceptions of Poverty in 2006	55

<b>Chapter 2</b>	<b>The Mechanisms of Shared Growth</b>	<b>63</b>
	The Environment for Poverty Reduction, 1997–2003	65
	Structural Changes in the Mozambican Economy	70
	Behind the Growth Story: Changes in Household Livelihoods	75
	Gender Dimensions of Pro-Poor Growth in Mozambique	96
	Can Mozambique Beat the Odds? The Prospects for Pro-Poor Growth	103
<b>Chapter 3</b>	<b>Agricultural Growth, Diversification, and Mobility</b>	<b>111</b>
	Agricultural Growth and Poverty Reduction, 1996–2002	112
	Rural Poverty Dynamics and the Role of Diversification, 2002–05	117
	The Way Forward for Sustaining Rural Poverty Reduction	128
<b>Chapter 4</b>	<b>Government Expenditure Policies and the Poor</b>	<b>133</b>
	The Structure of Public Expenditure	135
	Education	138
	Health	149
	Agricultural Extension—for the Poor, Not the Agents	162
	Water Supply—a Key Objective of Government Policy	170
	What Is Needed for Effective Government Pro-Poor Spending?	173
<b>Chapter 5</b>	<b>Getting the State Closer to Its Poor Citizens</b>	<b>177</b>
	Making Decentralization Work for the Poor	179
	Increasing Access to Justice for the Poor	189
	Disseminating Information on Rights and Responsibilities	191
	Making Poor People’s Land Rights Real	202

<b>Chapter 6</b>	<b>The Impact of HIV/AIDS in Mozambique</b>	<b>213</b>
	HIV/AIDS Prevalence in Mozambique	215
	Structural Determinants of HIV/AIDS in Mozambique	217
	The Feminization of HIV/AIDS in Mozambique	218
	Demographic Effects of HIV/AIDS	222
	Macroeconomic Impact of HIV/AIDS	230
	Antiretroviral Treatment	231
	Summary and Conclusions	232
<b>Chapter 7</b>	<b>The Poverty Reduction Strategy</b>	<b>235</b>
	PARPA I	236
	PARPA II	241
	Civic Engagement in the PARPA Process	243
<b>Notes</b>		<b>249</b>
<b>References</b>		<b>263</b>
<b>Index</b>		<b>277</b>
<b>CD-ROM</b>		
	Appendix Tables by Chapter	
	Data Sources and Methodology	
<b>Boxes</b>		
1	The Government's Poverty Reduction Strategies: PARPA I and PARPA II	2
2	Improving Participation in Planning and Monitoring Government Programs	29
1.1	About Mozambique	40
1.2	Data Used in the Report's Analysis	41
2.1	Who Is in the Labor Force in Mozambique?	76
2.2	Analyzing Household Livelihood Dynamics	77
2.3	Perceptions of Unemployment in Urban Communities	83
2.4	Local Employment Effects of Parastatal Downsizing in Angoche, Nampula	85
2.5	Who Does What in Mozambique?	101



2.6	When Women Select Them, Community Infrastructure Investments Raise the Productivity of Women	103
3.1	Seasonality of Vulnerability in Two Localities in Mozambique	123
4.1	Nutritional Paradox: Consumption Growth and Malnutrition in Mozambique	157
4.2	PROAGRI and Smallholders	164
4.3	Quality of Water in Erati-Namapa, Nampula	172
5.1	Institutional Reform Is a Long Process, and Results Are Often Slow in Coming	178
5.2	Municipalization Experience on the Ground	183
5.3	Community Scorecards in Malawi and Maputo	190
5.4	National Identification Cards and Claiming Citizenship Rights	192
5.5	The Family Law and Intrahousehold Relations, 2006	192
5.6	Traditional Authorities and Their Historical Role in Dispute Resolution	199
6.1	Data Used in the Analysis	214
6.2	Monitoring the HIV/AIDS Epidemic in Mozambique	214

## Figures

1	Percentage of Urban and Rural Poverty	6
2	Poverty Rates, by Province, 2003	7
3	Access to Services	8
4	Urban Employment	17
1.1	Poverty Rates, by Area, 1997 and 2003	43
1.2	Population and Poverty, by Province, 2003	44
1.3	Human Development in Mozambique, by Province, 1999	47
1.4	Regression Results: Determinants of Consumption, 2003	54
2.1	Agriculture's Share of Labor Force Remains above the Share of GDP, but That of Industry or Private Services Does not	72
2.2	Average Annual Growth Rates of Output and Employment, by Sector, 1997 and 2003	73
2.3	Employment in Urban Areas	82
2.4	More Rural Households Have Income from High-Value Sources	87

2.5	Education Is the Most Important Determinant of Wages, 2003	91
2.6	All Sectors Are Still Growing Rapidly in Mozambique, 2000–08	104
3.1	Growth of Agricultural GDP, 1992–2003	113
3.2	Average Annual Growth of Rural Household Income per Adult Equivalent, by Income per Adult Equivalent Quintile, 1996–2002 and 2002–05	118
3.3	Seasonal Variation in Well-Being and Vulnerability, 2006	122
3.4	Rural Poverty Transition Status and Welfare Perceptions, 2002–05	124
4.1	Total Expenditure in PARPA Priority Areas as a Percentage of GDP and Total Expenditure, 1999–2007	138
4.2	Number of EP1 Schools in Urban and Rural Areas, 1996–2005	141
4.3	Number of EP2 Schools in Urban and Rural Areas, 1996–2005	141
4.4	Total Number of Teachers and Proportion of Trained Teachers in EP1, 1996–2005	142
4.5	Pupil-Teacher Ratios in EP1 Rural and Urban Areas, 1996–2005	142
4.6	Enrollment of Boys and Girls, by Age, 2003	143
4.7	Total Household Education Expenditure and Share of Education Expenditure in Total Cash Expenditure, by Area of Residence, 2003	146
4.8	Perceptions of Change in the Education Sector, by Area, 2006	149
4.9	Health Expenditure Shares, by Source, 1997–2002	150
4.10	Number of Inhabitants per Physician and per Health Worker, by Region, 2003	151
4.11	Health Expenditure per Capita and Poverty Incidence, by Province, 2003 and 2004	152
4.12	Total Household Health Expenditure and Share of Health Expenditure in Total Cash Expenditure, by Area of Residence, 2003	160
4.13	Concentration of Health Service Use, by Type of Facility, 2003	160
4.14	Total PROAGRI Budget and Share Allocated to Provinces, 1999–2005	163

4.15	Access to Extension Advice by Income Level and Extension Budget, by Province, 2002	170
4.16	Percentage Population with Access to Safe Water, by Region and Quintile, 1997 and 2003	173
5.1	Structure of Conflict Resolution in Erati-Namapa, Nampula	201
6.1	Adult Prevalence Rates, by Province, 2002 and 2004	217
6.2	Number of HIV/AIDS-Infected People, by Gender, 1998–2010	219
6.3	Population Projections for South Africa, with and without HIV/AIDS, 2000 and 2025	223
6.4	Expected AIDS Deaths, Age 15 and Older, 1999–2010	224
6.5	Number of Orphans, Age 0 to 17, 1998–2010	225

## Tables

1	All Three Standard Measures of Poverty Declined Significantly	6
2	Annual Growth Rates of GDP, Consumption, Investment, Exports, and Imports, 2000–08	15
3	Importance of Household Constraints on Access to Justice	31
1.1	Poverty Measures, by Area, 1997 and 2003	43
1.2	Coping Strategies in Communities Visited, 2006	49
1.3	School Attendance by Orphan Status, Area, and Wealth Tercile, 2006	52
1.4	Self-Assessment of Welfare Relative to Others in the Community, 2006	59
1.5	Number of Meals Consumed during Previous Day, 2006	60
1.6	Perceptions of Change in Household Poverty in Rural Areas over Past Five Years, 2006	61
1.7	Perceptions of Change in Household Poverty in Urban Areas over Past Five Years, 2006	61
2.1	GDP by Expenditure Category, Share, and Growth Rate, 1997–2003	66
2.2	Decomposition of Change in Poverty by Location and Sector, 1997 and 2003	69
2.3	GDP, Labor Force, Productivity, and Poverty by Sector, 1997 and 2003	71
2.4	Type of Employment, by Area, 1997–2003	80

2.5	Distribution of the Labor Force by Sector, Type of Employment, and Area, 2003	81
2.6	Highest Level of Education Completed, by Type of Employment, 1997 and 2003	89
3.1	Estimated Actual and Potential Crop Yields, 1998	115
3.2	Sources of Growth in Rural Household Income, by Quintile, 1996–2002	117
3.3	Rural Income Poverty Incidence and Transition Matrix, 2002 and 2005	120
3.4	Alternative Rural Income Poverty Incidence and Poverty Transition Matrix, 2002 and 2005	120
3.5	Rural Poverty Dynamics and Off-Farm Income Diversification, 2002–05	126
4.1	Sectoral Expenditures as a Percentage of Total Expenditures, 1999–2006	137
4.2	Gross and Net Enrollment Rates, by Education Level, 1996–2005	144
4.3	EPI Completion and Dropout Rates, by Province, 1997 and 2003	145
4.4	Benefit Incidence: Education Expenditure Allocation by Quintile, 2003	147
4.5	Benefit Incidence: Expenditure Allocation by Quintile and Gender, 2003	148
4.6	Number of Live Births Attended at Health Facility and Vaccination Coverage, by Province, 1997 and 2003	154
4.7	Regional Comparison of Welfare Indicators	155
4.8	Selected Social Outcome Indicators	156
4.9	Perceptions of Change in Health Services, by Area of Residence and Gender of Household Head, 2006	161
4.10	PROAGRI Budget by Expenditure Component, 1999–2005	166
4.11	Extension Worker Density in Mozambique, 2004	167
5.1	Household Constraints in Access to Justice	195
5.2	Resolution of Problems in Urban Areas, by Gender of Household Head, 2006	197
5.3	Resolution of Problems in Rural Areas, by Gender of Household Head, 2006	197
5.4	Awareness of How to Obtain Land Title, by Area, Gender of Household Head, and Tercile, 2006	205

5.5	Reasons for Lack of Title, by Area and Gender of Household Head, 2006	206
6.1	Awareness of HIV/AIDS and Prevention Methods, 2003	221
6.2	Ratio of Current School Attendance of Orphans to Nonorphans, by Type of Orphan, 2003	226
6.3	Difference-in-Differences Analysis of Rural Household Composition by Gender of Deceased Prime-Age Adults in Mozambique, 2002–05	228
6.4	ART Coverage in Mozambique and Neighboring Countries, 2005	231
6.5	Number of People Receiving HAART in Mozambique, 2006	231
6.6	People Receiving HAART in Mozambique, by Gender and Region, October 2005	232
7.1	Key Features of PARPA I and II	237

# Preface

## *The Integrated Lens*

This assessment, reflecting poverty's many dimensions in Mozambique, combines multiple disciplines and diagnostic tools to explore poverty. It draws on a combination of approaches and tools from three separate analytical diagnostics developed by the World Bank—Poverty Assessment, Country Gender Assessment, and Country Social Analysis. It uses monetary, human, and social indicators and combines quantitative and qualitative approaches to understand trends in poverty and the dynamics that shape them. The objective is to support the development and implementation of pro-poor policies that really work by taking poverty's multiple dimensions into account.

Because Mozambique has not collected nationally representative household survey data measuring poverty status and outcome indicators since 2003, the report focuses primarily on the changes in poverty and household community welfare through that year. When data are available after 2003, the assessment uses them, including data from a special nonrepresentative survey developed for this report—the Poverty and Vulnerability Survey.

The starting point for the analysis is chapter 1, which uses multiple quantitative and qualitative indicators that describe levels of and changes

in opportunities and outcomes for households and communities in Mozambique since 1997. The rest of the report explains these changes.

Chapter 2 reviews the main economic developments and then analyzes how changes at the macro and meso levels affected household livelihoods and how households, especially poor households, responded. Given the importance of Mozambique's rural space, chapter 3 reviews these connections in more detail from the viewpoint of the rural economy, the role of agricultural growth, and the part played by income diversification in poverty reduction.

One of the core functions of government is to finance and provide key social and infrastructure services, especially for the poor, who cannot purchase these services in the market. Chapter 4 reviews whether government spending in four areas—health, education, agricultural extension, and water supply—has reached the poor and the more remote areas and whether it has brought measurable improvements in welfare.

Another government function central to poverty reduction is to protect the rights of citizens, ensuring the poor and vulnerable access to resources to sustain and improve their communities. Chapter 5 analyzes a few of the efforts of government to increase the transparency and responsiveness of public institutions; to provide security to people, households, and communities; and to empower women within the household and community.

The HIV/AIDS pandemic in Africa is a threat to achievements in poverty reduction in all its dimensions. Chapter 6 uses the fragmentary data available to analyze the implications for pro-poor policy and the consequences of the disease spreading in Mozambique.

The government is implementing its poverty reduction strategy (PARPA II). Chapter 7 summarizes the strategy and brings together the implications of the analysis for the way forward.

This study has been undertaken as a collaborative effort with the National Directorate of Studies and Analysis in the Ministry of Planning of Mozambique. The World Bank team was led by Louise Fox and included Rui Benfica, Malcolm Ehrenpreis, Melissa S. Gaal, Hakon Nordang (consultant, Austral Consultoria e Projectos), Daniel Owen, and Katleen van den Broek. Beth Anne Dabak contributed to the section on land and justice issues in chapter 5. From the Ministry of Planning, Christina Matusse reviewed the concept note, and Maimuna Ibraimo and Claudio Massingarella participated in preparing the analysis.

This is the first combined Poverty, Gender, and Social Assessment led by the World Bank. It would not have been possible without support from many individuals and institutions.

Contributions and advice were received from Channing Arndt, Sergio Baleria, John Barnes, Carlos Casimiro, Humberto Cossa, Antonio Francisco, Konrad Matter, Ana Menezes, Daniel de Souza, Chris Tanner, Inge Tvedten, and Bina Valadon. The Poverty and Vulnerability Survey for the report was performed by a team from the University of Eduardo Mondalné, led by Alexandre Mate. Cynthia Donovan and David Mather prepared a background paper for chapter 6 of the report, and Mikkel Barslund a background paper for chapter 1. Joel Muzima provided assistance in the use of the education sector database. Bruce Ross-Larson, Amye Kenall, and Christopher Trott of Communications Development edited the report.

The team also consulted with Cruzeiro do Sul, Grupo Moçambicano da Dívida, and G20 members.

Insightful comments on an earlier draft were received from Harold Alderman, Maria Correia, Caroline Robb, Sudhir Shetty, and Dominique van de Walle. Emmanuel Akpa, Michael Baxter, and Sudhir Shetty provided management support and guidance.

The team is grateful for support from the joint government-donor sector working groups on Poverty Analysis and Monitoring Systems, and on Gender Issues throughout the process. A special debt is owed to Bridget Walker-Muiambo for providing helpful comments and for securing financial support from Irish Aid for the gender component. Financing was also received from the TFESSD trust fund, financed by the Norwegian and Finnish governments, and the Belgian Poverty Reduction Partnership Program.





## Abbreviations

AIDS	acquired immune deficiency syndrome
ART	antiretroviral treatment
DHS	demographic and health survey
GDP	gross domestic product
HDI	human development index
HIV	human immunodeficiency virus
IAF	Inquérito aos Agregados Familiares, or Household Budget Survey
INGC	Instituto Nacional de Gestão de Calamidades, or National Institute for Disaster Management
KDP	Kecamatan Development Project
LOLE	Lei dos Órgãos Locais do Estado, or Law for Local State Bodies
MEC	Ministério da Educação e Cultura, or Ministry of Education and Culture
MISAU	Ministério da Saúde, or Ministry of Health
MNR	Renamo, or Mozambique National Resistance
MPF	Ministério do Plano e Finanças, or Ministry of Planning and Finance
NGO	nongovernmental organization

OIIL	Orçamento de Investimento de Iniciativa Local, or Local Initiative Investment Budget
PARPA	Plano de Acção para a Redução da Pobreza Absoluta, or Action Plan for the Reduction of Absolute Poverty
PO	poverty observatory
PPO	provincial poverty observatory
PROAGRI	Agricultural Sector Development Program
PVS	Poverty and Vulnerability Survey
SETSAN	Secretaria do Técnico de Segurança Alimentar e Nutrição, or Technical Secretariat for Food Security and Nutrition
SISTAFE	Sistema de Administração de Fundos do Estado, or State Financial Administration System
TIA	Trabalho de Inquérito Agrícola, or National Household Agricultural/Income Survey
UNDP	United Nations Development Programme

# Overview

Life for most Mozambicans improved dramatically in the decade following the end of the civil war and the first free elections in 1994. Household incomes and asset holdings increased, as did access to and the quality of publicly provided services. Despite this improvement, many Mozambican households are still among the poorest in the world. More than half the population lives in poverty, with persistent gaps between farmers and city dwellers, women and men, and poor and rich. To extend the transformation that began in the mid-1990s, policy makers can benefit from taking stock of past successes while understanding more clearly the gaps and shortcomings. They need to find new ways to accelerate improvements in the living standards of all Mozambicans.

As specified in the government's 2006–10 five-year plan for reduction of absolute poverty (Plano de Acção para a Redução da Pobreza Absoluta; PARPA), one goal is to pursue pro-poor growth by promoting agriculture and the private sector (box 1). A second is to build human capital by improving access to basic public services, especially for the poor. A third is to improve governance and accountability by getting government closer to its citizens. To do all this, the government will need to increase the value for money in its spending on public services. It will also need to target services to the rural poor and enlist

**Box 1**

**The Government's Poverty Reduction Strategies: PARPA I and PARPA II**

The detailed poverty reduction strategy (PARPA—Plano de Acção para a Redução da Pobreza Absoluta) articulates the Mozambican government's strategic vision for poverty reduction by promoting increased productivity and by improving the capacities and opportunities of all Mozambicans. The first PARPA was prepared in December 1999, and after public discussion, it was revised and presented to donors as the basis for donor support in 2001–05.

PARPA I formulated priority policies and programs that would foster human development and broad-based economic growth. Emphasizing the link between sustained growth and poverty reduction, the strategy incorporated policies and reforms to stimulate growth, identifying physical and human capital as well as rising productivity as fundamental macroeconomic determinants of growth. The design of PARPA II was completed in 2006 and is now being implemented in 2006–10. It maintained the same strategic focus, organized around three main pillars: governance, human capital, and economic development. The vision common to both PARPAs includes consolidating national unity, developing each citizen's human potential, creating a working institutional system, and increasing the ability to create national wealth.

poor communities in identifying needs and comanaging the delivery of those services.

To promote agriculture and the private sector, the government should improve research and extension for commercial farmers, large and small, and for subsistence farmers, especially women. It should build infrastructure to increase farmers' access to markets and their ability to tap new technology. Also, it should strengthen producer associations to increase the benefits of linking farmers to domestic food supply chains and to high-value, export-oriented supply chains. So that the private sector can create jobs and boost incomes in urban areas, the government should encourage labor-intensive manufacturing exports rather than focus only on high-profile megaprojects, which do little for employment and broad-based income growth. It should also develop new policies and programs to reduce risk and increase incomes for household businesses in the informal sector—businesses that will continue to be important for sustaining growth and reducing poverty.

To build the human capital of Mozambicans, the government should focus on the basics of education, health, water, and agricultural extension—greatly expanding access in rural areas and developing new models to improve the quality of services. This activity will require increasing public spending on social and economic services, building on the early successes in education, and getting more value for money from that spending. Part of this strategy will involve shifting resources within ministries to focus on the basics and across sectors to reach the underserved. Part will involve using public-private partnerships to provide decentralized services and having communities identify needs and help deliver services to households. Finally, part will involve instituting good tracking systems to link program outputs to targets and outcomes, using frequent high-quality household surveys and other monitoring and evaluation instruments. Only by establishing and refining such systems will the government know where resources are going and what results they are producing.

To improve governance and accountability, the government should empower communities as local agents of change. It should make decentralization work for the poor by devolving real power to local communities so they can advocate for more responsive public services, influence service delivery mechanisms, and hold local service providers accountable for performance. The government should also increase access to justice for the poor by opening opportunities to engage with public institutions and ensuring that the judicial system increases its responsiveness to all Mozambicans. Moreover, the government should make poor people's land rights real by increasing awareness of citizens' rights to land and by strengthening the consultations for allocating community land. Such empowerment demands reducing the red tape and petty corruption in the public administration.

## **The Record of Achievements**

Mozambique was an extremely poor country at the time of its elections in 1994, with a decimated infrastructure, a weak economy, and fragile institutions. Since then, it has been astonishingly successful in restoring growth and improving welfare. Sustained growth—driven primarily by investments in physical capital—reduced monetary poverty from 69 percent of the populace in 1997 to 54 percent in 2003 and reduced the depth and severity of nonincome poverty even more. Broad-based, labor-intensive private sector growth was efficient in reducing poverty until 2003 because it was equally distributed. At the same time, investments

in social and economic infrastructure extended access to public services, reduced welfare inequalities, and supported the livelihoods of the average Mozambican.

The social debt at the end of the civil war—a severe lack of social services in rural areas—required massive investments in building and physical inputs and in trained staff to run the services. Donors were ready to fund good projects in underserved areas, and the government was determined to get those funds and use them to reduce poverty. The greatest successes were in roads and in education, where high levels of spending (20 percent of total government expenditures) produced the greatest improvements in both access and outcomes for poor and rural families. In other sectors, public programs were not developed or implemented as quickly to reach the underserved, so the gains were limited and some opportunities were lost.

The ignition for growth came from new private investment in physical capital and high levels of public spending. Public spending on rehabilitating the infrastructure needed to gain access to markets supported growth in rural incomes. Farmers had access to good-quality land to expand and diversify production. Households increased their integration with markets—locally and regionally. Using cash gained from selling agricultural produce or working for cash either during the harvest or in the off-season, they invested in new small and microbusiness ventures. They also invested in better housing and in sending their children to school. Some households missed out, however, and now face the prospect of remaining trapped in poverty.

The backbone of pro-poor growth in Mozambique was the response of family farmers and family-owned businesses—where more than 90 percent of the labor force in Mozambique works—to the pro-growth economic policies of the government. These policies held down inflation while reducing the cost of doing business and lowering restrictions on competition, such as price controls and inefficient parastatal monopolies.

Since 2003, the blistering pace of economic growth has continued. Mozambique's growth and poverty reduction episode is already one of the longest in low-income countries. Research shows that growth cycles usually run out after about seven years in low-income, non-oil-producing countries. When growth starts after a crisis, it is based (at least partly) on rehabilitation. When this source of growth is exhausted, growth sputters out, or inequality increases, halting the poverty reduction effect, or both. Through good policies that provided political and economic stability, Mozambique has so far beaten the odds on sustained economic growth.

What remains unclear is whether Mozambique continues to beat the odds on shared growth. The latest comprehensive data on living standards are from 2003, when about half the population was classified as poor, and the evidence since then is sketchy. Government data show continuing increases in access to services, and rural income survey data show that average household incomes have increased. Using extrapolations of a few indicators, the Ministry of Planning and Finance predicts a continuing fall in poverty. Other indicators point to a slowdown in that fall. Rural income inequality seems to be growing, and already high urban inequality persists, so fast growth may now have less of a poverty-reducing effect.

The 2003 data show bewildering variation in welfare outcomes by province. In some areas, infant mortality and nutrition are getting worse while consumption is going up. Recently collected perceptions data point to a population less content with what the government is providing. Are these data the result of even higher expectations, or has the pace of improvement changed? Certainly, vulnerability remains high, threatening to undermine recent gains. Shocks to household income from weather, price fluctuations, and health continue to push people back into poverty even as other households climb out. Has the welfare-improvement engine run out of gas?

### ***Higher Incomes and Better Living Conditions through 2003***

The latest national household income and expenditure survey—completed in 2003—showed evidence of recovery and better living conditions throughout Mozambique. Even the poorest of the poor had somewhat better living conditions (although most rural residents still lacked metal roofs on their houses). Most households had more livelihood choices, enjoyed more diverse income sources, earned more money in cash, had more of their children in school for longer periods, and could go to a health clinic more often. Rural communities—where two-thirds of the population lives—had better water supply, saw better market access, and were more likely to have at least a primary school nearby. Nearly two-thirds of them reported that their welfare had improved over the previous three years despite a 10 percent fall in agricultural output in 2000 because of severe flooding.

Poverty in Mozambique fell significantly between 1997 and 2003, with the percentage of poor falling from 69.4 percent to 54.1 percent (table 1). The national poverty gap index dropped from 29.2 percent to 19.9 percent. So, not only did 15 percent of the population move above the poverty line, but the average household consumption of those who had not yet escaped poverty also increased. The squared poverty gap

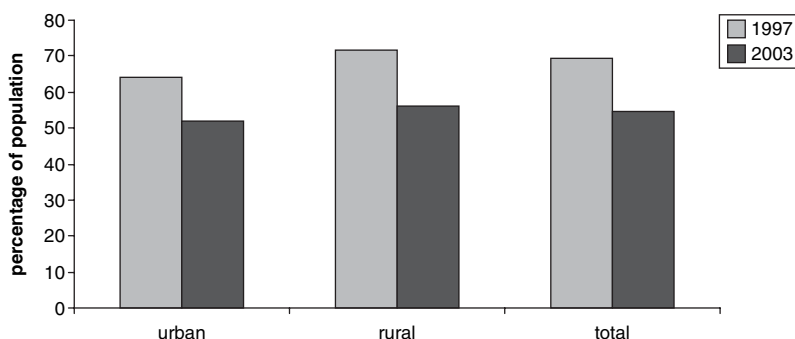


**Table 1. All Three Standard Measures of Poverty Declined Significantly**  
*percentage*

Area	Head count			Poverty gap			Squared poverty gap		
	1997	2003	Change	1997	2003	Change	1997	2003	Change
All	69.4	54.1	-22.0	29.2	19.9	-31.8	15.5	9.9	-36.1
Urban	63.9	51.6	-19.2	27.2	18.9	-30.5	14.8	9.0	-39.1
Rural	71.6	55.2	-22.9	30.0	20.4	-32.0	15.8	10.3	-34.8

Sources: Inquérito aos Agregados Familiares (IAF) data for 1997 and 2003.

Note: For consistency, the table uses the 2003 definitions of urban and rural areas.

**Figure 1. Percentage of Urban and Rural Poverty**

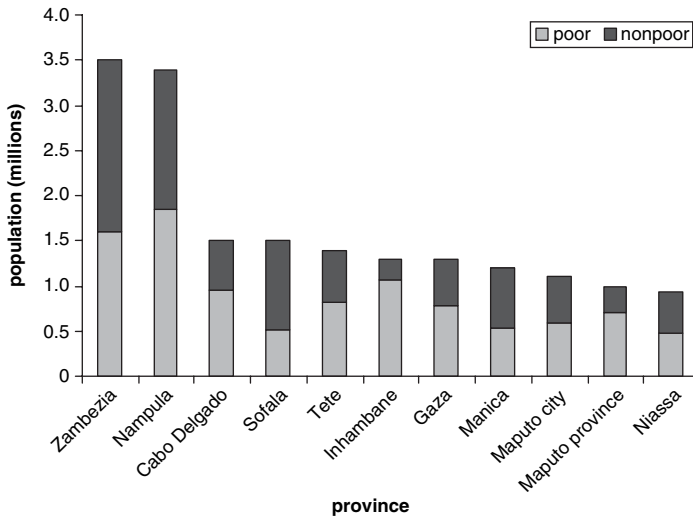
Sources: IAF data for 1997 and 2003.

Note: For consistency, the table uses the 2003 definitions of urban and rural areas. Poverty calculation is based on consumption per adult equivalent.

measure also fell—from 15.5 percent to 9.9 percent during the same period—a 36 percent drop in the severity of poverty.

Rural poverty fell slightly faster than urban poverty, although rural poverty overall remains higher than urban poverty (figure 1). Poverty dropped by 16 points in rural areas and by 12 points in urban areas. Rural poverty is still higher than urban poverty, however, with the percentage of poor people in rural areas estimated at 55.2 percent, compared with 51.6 percent in urban areas.

Poverty has been reduced in most parts of the country, but geographical variations are large (figure 2). Poverty has fallen most in the center, mainly in rural areas, driven by the large changes in the populous provinces of Sofala and Zambezia. Sofala, the country's poorest province in 1997, saw such significant reductions in poverty that in 2003 it became the least income-poor province. Poverty also fell in the north, although

**Figure 2. Poverty Rates, by Province, 2003**

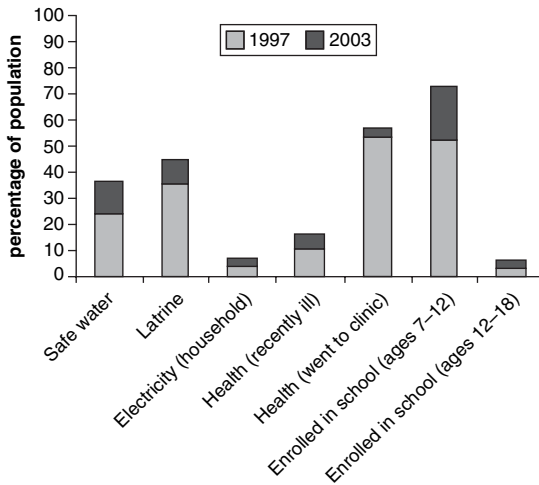
Source: IAF data for 2003.

more in urban areas, and it rose in Cabo Delgado. The south experienced an increase in poverty rates, especially in the city of Maputo and the surrounding province. Poverty in Inhambane, the second-poorest province in 1997 after Sofala, fell only slightly, leaving the province as the poorest in Mozambique in 2003. The small poverty reduction in the rural south was overwhelmed by the increase in urban poverty. Not only did poverty rise, but its depth and severity also increased in Maputo city and Maputo province.

These trends are favorable, but income poverty in Mozambique remains high. As the national numbers suggest, 54.1 percent of the population still lives in poverty. Of the estimated 18 million Mozambicans in 2003, nearly 10 million were below the poverty line. Each province has at least 500,000 poor people, with more than 1 million poor people in Zambezia, Nampula, and (disproportionately) Inhambane (see figure 2).

### **Access to Services Increased**

The different household access to services, goods, and assets helps explain the broader poverty outcomes. Mozambique has improved access to public services, but important variations remain between income groups, regions, and urban and rural areas (figure 3). Both the national household

**Figure 3. Access to Services**

Sources: IAF data for 1997 and 2003.

surveys and the quantitative and qualitative findings from the 2006 Poverty and Vulnerability Survey, conducted for this report, suggest improvements in access to public services, particularly for health and education. Although most households have benefited from these changes, improvements have sometimes been uneven, so access to public services continues to vary by income group and geographic location. The richest have benefited most in electricity, health, and secondary education, whereas primary education has particularly benefited the poor. Urban areas have benefited more than rural areas, with access to electricity, water, and sanitation benefiting the urban poor.

Physical access to lower primary education improved significantly across much of the country since 1997; improvements in access to upper primary and secondary school were more uneven. Net primary school enrollments increased significantly between 1997 and 2003, particularly for the poorest households in both urban and rural areas. Net secondary school enrollments also increased somewhat, but the gap between the poorest and richest households continued to widen, as did the urban-rural gap. For primary school, the gap narrowed substantially between the provinces in the south and those in the north and, particularly, those in the center. For secondary school, the gap in access between the south and the rest of the country is increasing.

In a major achievement, girls' net primary school enrollment in grades 1–5 increased significantly, particularly for the poorest quintile, rural areas, and central provinces. In 2003, it almost equaled boys' enrollment rates in most of the country, even surpassing them in the south, overcoming long-standing prejudices about the value of educating girls. The opposite is true in secondary education, however, where the gender gap is widening throughout the country and particularly in urban areas and among the rich. Given the high correlation between education and poverty, these differences in access continue to pose challenges to future growth and poverty reduction.

Despite the improvements, constraints on access to education persist, particularly for secondary school. The poorest households continue to face greater barriers than the richest households. For primary education, the real costs of uniforms and school materials and the opportunity costs of schooling pose real barriers to access for some of the poorest households. For secondary school, where households still have to pay matriculation fees and cover all costs of school materials, the constraints are even greater. Distance is also a barrier, especially in rural areas, where only 1 percent of households live close to a secondary school, but also in urban areas, where a still low 15 percent of households live close to a school.

Sociocultural and economic factors continue to pose a barrier to girls' enrollment, particularly in secondary education. When faced with the higher direct and indirect costs of secondary education, many households prefer to send boys to secondary school rather than girls. Distance is also a factor because families are less disposed to send girls to live alone (in boarding arrangements) or with relatives or friends in areas with secondary schools. In Zambezia, most household heads preferred to educate their sons—mainly because the girls might eventually be “married off” to other families and would spend most of their time in (domestic) activities considered to require less education.

Access to health care, measured by the percentage of households seeking medical help when a household member is ill, increased by 5 percentage points over the two survey periods. Although access varies only slightly between the bottom and middle income groups, a 13-point difference in access to health care separates households in the poorest fifth of the population and those in the richest fifth (53 and 66 percent, respectively). The discrepancy is also large between urban and rural areas, with as many as 74 percent of urban residents using health care when ill, compared with only half of rural residents. This discrepancy seems to reflect the larger distances to health posts in rural areas. Of

urban households, 68 percent live within a half hour of a health post. Only 21 percent of rural households do.

Gains have been greater for water and sanitation than for electricity and other services—and greater in urban areas. Across Mozambique, access to water and sanitation improved, benefiting both urban and rural areas, with little variation among consumption quintiles. Although more than 60 percent of the population remains without access to safe drinking water, the use of safe water increased by 13 percentage points nationally; the distance to a water source (sometimes unsafe water) decreased for most households; and an additional 10 percent of households benefited from improved sanitation, with the poorest quintile benefiting the most. Even so, households in rural areas have significantly less access to safe water and improved sanitation than those in urban areas.

### ***Holdings of Assets and Durable Goods Increased***

Access to productive assets—including land—may also have improved in recent years, although differences continue across income groups and other social groups. Given the predominantly rural and agricultural economy, access to land is an important part of most households' livelihoods. The Poverty and Vulnerability Survey, confirming national trends noted elsewhere, found that access to land on average is not a problem for most households in the communities studied. Most have access to land, especially in rural areas. Access varies significantly between urban and rural areas, however, reflecting mainly the relative importance of nonagricultural activities in urban areas. Significant variations still exist between richer and poorer households. More than a quarter of the poorest third of households have no access to land, compared with less than 15 percent of households in the richest third.

Households across all income groups improved their holdings of durable goods between the two national surveys. For some of the higher-cost items (motorcycles, bicycles, televisions), the gap between the poorest and richest quintiles widened somewhat; for most other goods, the improvements were more evenly distributed. Significantly, houses were upgraded in all quintiles. Not only is housing an important savings vehicle for most households, but also many households see the quality (and security) of housing as an especially important indicator of poverty. Thus, the disproportionate increase in households with durable roofs between 1997 and 2003 among poorer households is important. Because upgrading is usually a cash expense, it provides a good indicator of improvements in wealth and welfare since 1997 for the poorest

income groups. Another indicator of better welfare is that the share of income spent on food fell for all income groups, if slightly more for the richest quintile.

### ***Why Was Growth So Effective in Reducing Poverty?***

Mozambique's rural poverty reduction is one of the most successful in the world. Several factors stand out. Farmers boosted the diversity of their food crops, increasing food security and nutrition. Many farmers moved into small-scale commercial farming, increasing their incomes by selling surplus food crops or diversifying into export crops such as tobacco and cotton, mostly grown under contracting arrangements with agroprocessing and exporting firms. Their higher income stimulated demand for goods and services in rural areas, and households responded by opening businesses, such as trading, brewing beer, and making bricks and charcoal. Larger farms, using more capital, sprang up and required wage labor, which some households supplied. Households with diversified sources of income tended to be less poor in 2003 than those that did not diversify. Communities with access to markets through infrastructure and market information did better than those without.

Mozambique's poverty reduction is attributable to the character of its growth, including the higher crop income from the rehabilitation of agriculture. Donor aid, which appears to have been pro-poor as well, also supported growth through backward linkages. Rural and urban economic growth raised incomes and stimulated demand for nonfarm goods and services. Growth remained pro-poor because changes in the structure of production were labor intensive—pulling labor out of agriculture into higher value sectors in both rural and urban areas. This phenomenon raised the productivity of labor and incomes in agriculture, lifting incomes for the bottom half of the distribution and contributing 75 percent to the fall in the poverty head count.

In urban areas, strong private sector growth gave men new wage and salary jobs. Unexpectedly, many new wage and salary jobs were in the service sector—where the demand for labor increased much faster than output. The manufacturing sector is normally the source of new wage and salary jobs in low-income countries, but it suffered from job destruction, shedding jobs at more than 10 percent a year on average as part of privatization and restructuring. The new small and medium firms manufacturing for the domestic market did create jobs, but the new megaprojects producing goods for export did not. Those able to hold onto their jobs or to get new ones still earned a good living. Even after

accounting for education and experience, wages in manufacturing were higher than those in private services, and wages in construction and mining were even higher.

The urban labor force grew at 3 percent a year, and most of the urban labor force still had very little education, so not all comers could find wage jobs. Many ended up self-employed in family business in the informal sector. Many people in urban areas reported themselves as poor even though they had regular self-employment income. In fact, by 2003 average earnings in this sector were well above those in agriculture.

Not everyone left agriculture, and few left completely—more than 80 percent of the labor force and 70 percent of the households in 2003 still identified agriculture as their main economic activity. Women mostly stayed in agriculture, and men mostly left agriculture part time or full time to pursue other activities, which on average had higher labor productivity and thus higher earnings than agriculture. The demand for these goods and services produced by the nonagricultural sector was so strong that earnings still rose even as people kept starting new businesses.

Staying in agriculture, although providing food security for the household, was generally a lower productivity and income choice, leaving women potentially at a disadvantage in controlling household income. Because 90 percent of women in the labor force have at most two years of education—the legacy of exclusion from education—their opportunities are limited. Women are increasingly important as producers in rural agriculture, but usually only for subsistence. One reason is their huge burden of chores. Another is that households need the security of home-produced food, which women are in charge of. This situation can be disempowering—because men control the cash, and growing higher-value export crops requires access to technology, fertilizer, and credit, which women miss out on.

Until 2003, most smallholder farmers increased their crop income through more extensive use of land. This growth in output per person was the most important driver of poverty reduction in rural areas, but it has resulted in a land productivity that is among the lowest in the world. This production process has natural limits, and smallholders in Mozambique are reaching them. Without changes, they will not see the growth of total crop production that has been possible in the past. Reliance on food crops is especially risky because Mozambique's susceptibility to droughts and floods can leave subsistence farmers hungry in the off-season and their children malnourished. Only those farmers who keep diversifying into higher-value crops, using yield-enhancing techniques, will realize the past

growth of crop income. Farmers now know that they have to diversify. In all communities surveyed for this report, not having diversified was identified as an important characteristic of poverty. Smallholders who cannot achieve this transformation will have to rely on nonfarm sources of income (wage labor or self-employment) to rise from poverty.

The diversity and complexity of rural livelihood strategies, while important for raising incomes, have also increased risk. Household diversification into nonfarm self-employment in rural areas has increased income risk. Average earnings are high, but low earnings are not uncommon among those that diversify. Many households that entered the small enterprise sector or started selling labor for wages remained poor—often because they entered the very-low-skill day-labor market as a survival strategy. Households that lost nonfarm sources of income usually plunged into poverty. Moreover, an income shock—such as a poor harvest or illness in the household—often causes households to draw down assets, hindering their climb back out of poverty.

Vulnerability was perceived as related to the capacities and strategies of communities and households to deal with unexpected shocks and risks. The most common coping strategy—in both urban and rural areas, with little variation across income groups—was to seek help from family and friends, an option more available in urban areas. Drawing down assets was more common in rural areas, despite the smaller asset portfolios of rural households. Rural households were also much more likely to do nothing and merely try to get by. As many as 21 percent of the poorest rural households reported having done nothing to cope.

Evidence is emerging that a subset of rural households, usually those in more remote areas, are becoming trapped in poverty. Households that cannot adopt more commercial, yield-enhancing production processes are losing ground. Many of these low-income farmers live in communities with limited market access—a geographical poverty trap. Without infrastructure and information to provide market access, commercial buyers with new technology do not enter the area, and farmers have no market for their crops, so crop income stagnates. When overall income growth in the community is slow, small enterprise opportunities are limited, and demand for wage labor is low.

### ***The Looming Threat of AIDS***

The spread of human immunodeficiency virus and acquired immune deficiency syndrome (HIV/AIDS) is a huge threat to households. Poor health is one of their biggest risks, as identified in the Poverty and



Vulnerability Survey. Moreover, when an infected family member's status progresses to AIDS, a household has to pay for medicine, must take time off production to care for the ill person, and risks the loss of the main breadwinner, plunging the household into poverty.

The spread of HIV/AIDS is also a huge threat to future growth and poverty reduction. Mozambique's prevalence rate, rising rapidly, is now more than 16 percent of prime-age adults. Mozambique was slower than other countries to pick up the disease. As a result, the prevalence of full-blown AIDS is low. Nevertheless, rising infection rates indicate that prevention is not working, and risky behaviors are not changing. Labor mobility drives infection, with the highest prevalence rates in provinces with transport corridors connecting Mozambique to neighbors with even higher rates. Urban areas are more likely to be affected because risky sexual behaviors are more common. Women are more likely to be affected—in Mozambique women 20–24 years of age are four times more likely than men in the same age bracket to get infected.

The spread and development of HIV/AIDS are expected to slow growth and increase poverty. Unless treatment programs accelerate, Mozambique will see a loss of educated and trained people, leaving a smaller labor force. In households where both parents die or in communities with substantial losses among the parenting generation, the next generation could have lower human capital if children are needed at home for productive or care-taking tasks. Evidence shows that in Mozambique household livelihoods change when a prime-age resident dies, regardless of cause. The changes depend on the sex of the person who dies. When a male dies, women become less productive.

### **Pursuing Pro-Poor Economic Growth in Agriculture and the Private Sector**

Because of good fundamentals, Mozambique's growth episode is one of the longest on record in low-income countries. Since the 2002/03 household survey, Mozambique's economy continued its vigorous, broad-based growth, with gross domestic product (GDP) growing at about 7 percent a year since 2003 (5 percent per capita) and showing no signs of slowing down. Private consumption growth continues at about 3–4 percent per capita per year, slightly higher than during 1997–2003 (table 2). Agricultural growth has been strong, which should support continued improvements in welfare in rural areas. Government spending, especially on service delivery, is rising as a share of GDP, thanks to high levels of

**Table 2. Annual Growth Rates of GDP, Consumption, Investment, Exports, and Imports, 2000–08**  
*volume (percentage change)*

	2000	2001	2002	2003	2004	2005	2006 <i>estimated</i>	2007 <i>projected</i>	2008 <i>projected</i>
GDP, total	1.9	13.1	8.2	7.9	7.5	7.8	8.5	6.8	7.6
Consumption	0.9	3.3	0.6	14.8	4.5	12.1	-3.7	11.1	8.3
Government	11.7	17.2	3.6	16.2	8.6	12.0	25.1	17.3	12.7
Nongovernment	-0.3	1.5	0.2	14.6	3.9	14.6	-3.7	12.6	9.9
Gross domestic investment	-8.7	-15.2	38.0	3.2	34.6	-6.4	16.6	27.0	18.3
Exports of goods and services	31.9	51.6	21.0	30.2	13.1	9.4	13.7	8.0	11.2
Imports of goods and services	-2.4	-20.7	21.4	13.1	-7.5	29.1	31.7	29.4	10.7

*Source:* World Bank staff estimates.

donor support. Research shows that growth cycles usually run out after about seven years in low-income, non-oil-producing countries. When growth starts after a crisis, it is based (at least partly) on rehabilitation. When this source of growth is exhausted, growth sputters or inequality increases to halt the poverty reduction effect, or both.

Mozambique has natural assets that can support and sustain the high growth rates needed for poverty reduction. Aside from a surplus of fertile land suitable for rain-fed agriculture, the long coastline includes several underdeveloped coastal tourism areas. The central provinces have coal deposits, and this area is expected to develop rapidly as a large new coal mine and a rail link come on stream with private financing. Electricity is low cost, thanks to hydroelectric development. The construction of a new bridge over the Zambezi River is expected to reduce north-south transportation costs dramatically. As a transport corridor for neighboring landlocked countries, the east-west transportation links could be an important economic asset if the Zimbabwean economy recovers. Finally, the northern province of Nampula contains Nacala, one of the deepest natural ports in the world. All these advantages require substantial public and private investments to develop, however, and improvements in public management to maintain.

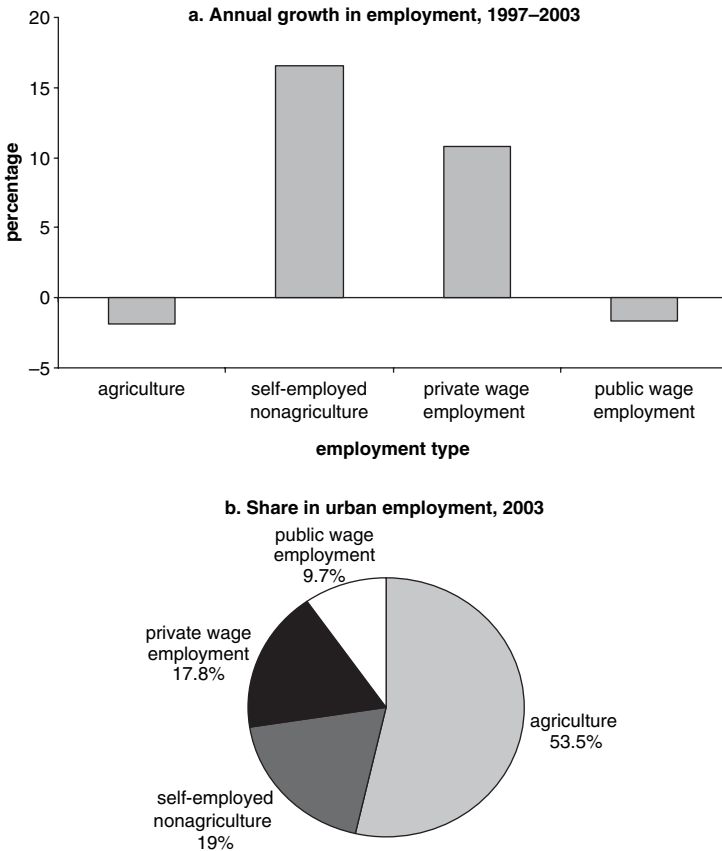
As the economy exploits these opportunities, it will have to become much more nimble. Mozambique's drivers of growth are changing, with education becoming more important. The role of aggregate factors, such as land, and physical and human capital, in Mozambique's growth path

has been changing since 2002. Analysis shows that the contribution of human capital was 25 percent greater during 1997–2003 than in earlier periods, implying an important role for more highly educated new labor entrants in future growth. Although this structural change will put more pressure on an education system still struggling to meet basic access issues, such change might also mean that Mozambique is capable of using physical capital more efficiently—a development that could be consistent with pro-poor growth if it allows the absorption of more labor from agriculture and other low-productivity sectors.

Continuing poverty reduction requires continued labor mobility from low-productivity sectors to higher ones. In urban areas, private sector wage employment growth needs to accelerate in the industrial sector. As the rural sector sheds labor, the urban labor force is expected to grow rapidly. This labor force needs jobs. Although self-employment in the service sector was an important driver of poverty reduction during 1997–2003, if this sector has to absorb all the future urban labor-force growth, productivity will decline to the point where incomes stagnate, especially among the poor and least skilled. Moreover, the self-employed sector is highly dependent on overall urban income increases (figure 4).

To drive wage and salary job creation, Mozambique needs foreign direct investment in labor-intensive industries. Confining foreign direct investment to capital and energy-intensive industrial megaprojects will not create the needed jobs. Mozambique's domestic manufacturing sector is mostly very small, concentrated in low-technology food, beverages, and wood processing. Potential for diversification into labor-intensive manufacturing exports, such as textiles, should exist. Past performance indicates that Mozambique should be able to attract the foreign direct investment required to create these jobs. Maintaining and improving the investment climate are crucial, especially in areas most important for large manufacturing enterprises.

Even with a major increase in industrial sector wage jobs, however, Mozambique cannot create jobs fast enough to absorb all new entrants. The focus on the investment climate for large firms should be complemented by support for the poorly capitalized small and microbusinesses. The high mean income for family business, especially in the service sector in urban areas, is good for poverty reduction. However, the widening inequality within the sector is worrisome—it reduces the efficiency of growth in reducing poverty. It is an indication of the growing heterogeneity of the service sector, with successful entrepreneurs working side by side with marginal ones.

**Figure 4. Urban Employment**

Sources: IAF data for 1997 and 2003.

The rural nonfarm sector (fed by growing incomes in the farm sector) will also be an important part of the poverty reduction picture. The market for many nonfarm activities is currently limited to the local community. Opening market opportunities beyond the community is likely to yield a sizable effect and ensure the expansion and increased profitability of these self-employment activities.

A key element of pro-poor growth is gender equity, as both a driver and a consequence of growth. Mozambique has already recognized and targeted increased educational attainments for all, including girls, as a driver of growth. Less attention seems to have been paid to the implications for increasing productivity in the context of the agricultural sector's

growing feminization. This factor has particular implications for the policies required to sustain the trend of the recent productivity increase in agriculture, the foundation of Mozambique's pro-poor growth performance. Women are often overlooked by extension agents, so they may not get the information they need. Women have less access to the capital needed to invest in these technologies. International experience has shown that successful agricultural projects must include women farmers early in the design stage so that projects meet their needs. Strategies are needed to help women diversify crops and raise output to a commercial scale without risking household food security.

Widening the employment opportunities for women, either in commercial agriculture or nonfarm activities—by increasing the mobility of women out of agriculture—will help reduce poverty. The fundamental measures may be outside agriculture. For example, improved infrastructure, such as rural water supply, can reduce the time women spend on household chores and free more time for income-generating activities, including learning about better farming practices or building human capital.

### ***Supporting a Diverse and Diversified Agricultural Sector***

Supporting a more diverse agricultural sector will require investments in research and extension to help smallholder subsistence farmers increase their productivity in basic food crop production, to help commercial smallholders increase the scale and diversity of their crop portfolio and their farm yields, and to help a large-scale farming sector generate employment and other links with rural smallholders.

Rural pro-poor growth will come from increasing agricultural productivity and diversifying crop production in the smallholder sector. Because crop income remains important as a source of income for the poor, sustainable increases in this source will still be important to achieve pro-poor growth. Because the majority of households are net food buyers, increases in crop income must originate from productivity gains in food crops rather than only from price increases that reflect local scarcity. Productivity gains need to be reflected not only in increased yields per hectare but also in increased output per worker, from improved seeds and chemical inputs and from increased mechanization.

Crop income can also be increased by having rural households diversify into profitable cash crops, particularly because productivity-enhancing inputs are generally associated with such crops. Private investment in cash crops for export brings technologies that can transform the agricultural

sector. The new technologies can spill over to other crops, raising incomes in the whole community.

Encouraging large-scale, commercial agriculture can benefit small-holder farmers, especially if it strengthens links between the two groups and does not crowd out smallholders. A successful agricultural strategy will rely on the private sector for needed investments and know-how. Commercial agriculture brings new technologies, which can spread to all farmers in the area, large and small. Commercial farmers also subsidize infrastructure development, provide wage employment, and increase demand for products of the local nonfarm sector.

Contract farming brings improved seeds and production techniques to the farmers, provides input finance, and reduces the farmer's risk from greater specialization and uncertain markets and prices. The tobacco sector in Mozambique has shown that private extension services under these arrangements have a high rate of return. Note, however, that contract farming requires an appropriate regulatory framework that strikes a balance between protecting the farmer and ensuring returns to the contracting company commensurate with the risk.

### ***Supporting Market Development and New Institutional Arrangements for Stronger Market Participation***

To enhance the efficiency of agricultural markets, investing in marketing infrastructure and rural services, improving access to information, and improving coordination mechanisms for key domestic food chains and export-oriented high-value supply chains will all be important.

Continuing investment in road infrastructure is important to open markets to commercial smallholders and to allow new investments to prosper, but complementary investments are also needed. With Mozambique's low population density, road infrastructure is important for the success of commercial agriculture because underdeveloped transport and rural infrastructure services increase marketing costs substantially and prevent domestic and export markets from developing. In addition to the main national roads, a well-targeted program should focus on maintaining secondary and tertiary roads throughout the agricultural season.

Poor road access in many cases coincides with other bottlenecks, such as poor agroecology, low population density, weak services, and a lack of water and electricity. A well-targeted program needs to take into account the interactions with geographic, community, and household characteristics and consider complementary investments to ease those other constraints and maximize the effects of road construction and rehabilitation for

market efficiency and household welfare. Funding and institutional arrangements (community-based maintenance contracts) need to be put in place to ensure the sustainability of road investments and maximize their long-term effect.

Access to market information and intelligence can improve the competitiveness in agricultural marketing systems, ensuring that farmers participate in a more level playing field in agricultural markets. Mozambique has had a public marketing information system in place since early 1990. The system has evolved in response to user needs, but sustainability has been a constant challenge. Decentralization has been taking place to respond to the needs of users in regional spots, and the use of technology is progressing. The system should be supported to provide timely information on prices for different transaction levels, distribution channels, competitors, and buyer and producer trends.

To help farmers meet the required standards in high-value chains linked to domestic, regional, and international markets, the market information systems should provide and disseminate information on regulations, grades and standards, postharvest handling advice, and storage and transport recommendations. Public-private partnerships might be needed to accomplish this function. The continuing exploration and use of the Internet and the fast-growing cell-phone network in the country will aid in this process.

Stronger coordination mechanisms, including those for contract farming in key domestic food chains and export-oriented high-value supply chains, can improve smallholder participation in these markets. Their participation has so far been limited by their inability to meet quality standards, timeliness requirements, and economies of scale. Failures in credit and input markets complicate the problem.

Mutually beneficial contractual links should be established between smallholders and large traders or processors in selected value chains to support smallholder market access. Policy interventions in the agribusiness sector need to strengthen links between smallholders and the emerging supermarkets (and other traders) in urban areas, and processors and traders in export-oriented value chains. To reduce the typically high transaction costs associated with contracting arrangements, farmers associations should be developed and supported to generate more balanced outcomes.

### ***Supporting Income Diversification through Labor Mobility***

More active labor markets and more profitable rural self-employment opportunities can help households improve and sustain their welfare levels. Although full-time formal nonfarm wage employment opportunities may

not be widely available to most households in the near future (given the limited availability and growth of formal sector jobs in rural areas), income diversification into seasonal or part-time wage labor will remain crucial for reducing rural poverty. Mozambique may also wish to consider rural public works schemes to expand opportunities for the poorest farmers who cannot break out of the subsistence level. Past diversification of household income came from pull factors—from a dynamic rural economy. However, smallholders who cannot modernize or commercialize, and who cannot develop or stay profitable in off-farm activities, will remain. They have few assets and may lack adults in the household. Providing income-earning opportunities through community-driven public works programs could be an effective safety net for them.

Employment linkages in the farm sector are important in generating farm wage income for households, but its low returns and seasonal nature limit the extent to which it can sustain rural poverty reduction. Opportunities for farm wage labor can be expanded as a result of the expanded activity of larger farming households, such as commercial smallholders or large private agricultural producers capable of generating employment for their poorer neighbors. Although this source of income is important, especially for the asset poor, wages in agriculture tend to be low and seasonal, particularly for low-skilled labor working on small-scale farms. This factor points to the importance of supporting a more diverse and diversified agricultural sector of both commercial smallholders and well-managed large-scale farms.

Alternative and more productive wage opportunities, on and off the farm, are needed to maximize the effects of income diversification in rural areas. Although the rates of diversification have increased for virtually all groups, the graduation of such activities to the major source of income has been varied. Consequently, earnings from low-productivity, low-skilled work off the farm are also low. The ability to diversify is positively correlated with the skill requirements of the targeted activities. To be supported are alternative employment opportunities adequate for more skilled labor on and off the farm. For the rural poor to benefit, however, continuing investments in education and skill development will be needed in rural areas.

### **Building Human Capital by Getting Public Services Closer to the Poor**

In the mid-1990s, the government's challenge was to use public resources to reach millions of households neglected throughout the years of conflict



with public services to improve welfare, build human capital, and generate income. The strategy was to allocate a large share of the budget (including donor funds) to public service delivery. The focus has been on improving quantity of services, for the most part to build infrastructure. With Mozambique's lack of any services in many parts of a vast country, this policy made sense. A high percentage of expenditures moved out of Maputo to rural areas for infrastructure construction (schools, roads, and water points), for equipment and supplies, and for personnel costs. Given the low capacity of the central government at the time, implementing this strategy was no mean feat.

In quantitative terms, the effort has been a success. Access and outcome indicators are up, especially in education. Health indicators for 2003 show higher service use among the poorest quintile. Nearly 60 percent of children 6–11 years of age in the poorest quintile were in school that year. Since then, enrollments have continued to climb. Gender parity has been nearly achieved at the primary level in most areas; however, at the postprimary level, neither girls nor the poor have access to education.

Since 2001, Mozambique has had a clear strategy for allocating expenditures with geographically disaggregated targets for improvements in access and outcomes (articulated in PARPA). The plan has been only partially implemented, however, and systems to allocate expenditures directly toward these goals are not yet ready. Until recently, many donor-financed programs were completely off the books, so the government did not actually know the total spending on health. A systematic program is still lacking to monitor outputs that reach the poor. Without good data on the incidence of spending and on the outcomes, the government cannot increase the value for money. Mozambique needs to provide clear data on whether the outputs were produced and whether the poor used the services, what quality services they received, and how the services improved their welfare.

Nevertheless, the surging demand remains to be met. Primary schools are bursting with students, and pupil-teacher ratios are climbing rapidly. Many poor households remain unable to use other services. Cost is still the overriding access issue, especially for secondary education, because poor households simply do not have the cash to pay for the service. Other costs are barriers—even for free services—such as travel time and money. Long distances to service facilities hurt girls and women more because they have less time and because safety during the journey is an issue. Girls in rural areas start school at an older age than boys for this

reason. In rural areas in the north, for example, distance creates a vicious cycle. Long distances to fetch water keep girls at home to do chores, raising the opportunity cost to the family of sending a girl to school. Long distances to school also demand time and effort to ensure girls' safety, again raising the opportunity cost to the family. Similarly, long distances to health care facilities, along with fees, raise the real and opportunity costs to the family, perhaps leaving girls in poor health, another cost. This cycle disrupts women's education and skills, lowers productivity, and devolves into chronic poverty.

The net outcome: wealthier households receive a much higher share of the government budget because they can use the services. In urban areas, women can get to health clinics more easily. User fees play a role as well. Women who have to ask their husband for money to cover the transportation cost and user fee for a clinic visit simply do not go. School fees cover a small portion of the total cost of secondary education, but they are high enough to keep the poor out and to allow the wealthier households to enjoy a larger chunk of total expenditures.

Apparently, not enough attention has been paid to expanding public services that directly increase the income of the poor. Internationally accepted criteria for allocating spending among sectors for poverty reduction do not exist, so no benchmark exists for how much money should be spent on roads, for example. Country context is an overriding criterion, including which area is most efficient at using funds. Nevertheless, agriculture and rural development have never received more than 5 percent of total spending, and spending on rural roads has lagged as well. Analysis in Mozambique and other countries shows that good extension services do raise the productivity of smallholders. Reaching and supporting small farmers is particularly important for reducing poverty, and publicly financed infrastructure is critical to encouraging the private sector to invest, supporting rural growth.

At the national level, government expenditure policy is moving in the right direction to change this reality—more than half of education spending is for the expansion and maintenance of primary-level schools, for example. Completing primary education has a huge effect on household wealth, both in higher earnings and in better household management of scarce resources. However, too many girls still cannot complete five years of primary school, and fewer complete the seven years required to progress to secondary school. This disadvantage spills over into other areas—nutrition, health, and the ability to make a living and run a household.

***Increase Public Spending and Get More Value from It***

To maximize the effects of public spending on the poor, the government needs to increase public spending on facilities and services used by the poor and the vulnerable, to increase value for money in the public sector through higher-quality public services and better delivery systems, and to improve systems to monitor government expenditures and evaluate how effectively they are allocated to the poor.

In education, this strategy translates into increasing the quantity and quality of the services delivered, with the following priorities:

- Further expand the school network and reduce the costs of education to reduce distance and alleviate financial constraints for poor households. Increasing access and completion rates among girls needs to be a top priority, particularly in rural areas.
- Continue to pay special attention to teacher training to keep up with surging demand, and invest in curricular development to improve quality at all levels.
- Invest more in postprimary education to keep pace with progress in primary access and completion, targeting rural areas and poor and vulnerable groups, especially girls.

To increase attendance among poorer households, conditional cash transfers could be considered, after a careful assessment of their feasibility and overall sustainability. Scaling up existing social protection programs that indirectly affect children could also be considered.

In health, the focus should be on improving the coverage and quality of service delivery:

- Invest in new health posts and health centers to reach the underserved, and improve the distribution of health personnel, including well-remunerated and qualified professionals, to minimize shortages among rural and less-favored areas and groups.
- Develop outreach services that bring health services to the population, through a network of community health workers (based in the villages) working with existing health centers. Outreach activities should increase awareness of the importance of formal health services.
- Manage the distribution of medicines and diagnostics equipment to health facilities, particularly in rural and remote areas.

Investments in education and information can improve access to health services as well as health outcomes and produce much greater

value for money than new urban hospitals, for example. In the short term, disseminating information can improve child care practices in rural areas lacking health facilities.

In agricultural extension, coverage should be increased and actions well targeted to the needs of farmers:

- Adopt a holistic view that integrates the extension system with agricultural research to ensure that the materials developed by researchers are well adapted to the needs of farmers, particularly poor farmers and groups with specific characteristics. That is, take into account the heterogeneity of farmers and areas to be targeted.
- Structure spending for better geographical coverage and outreach to help farmers adopt technologies that will increase their production and productivity.
- Promote infrastructure development, institutions (support associations in reducing transaction costs), and marketing to link farmers to markets.
- Promote public-private partnerships, including outsourcing, for better targeting and greater benefits to participating smallholders.

In water, investments in sustainable systems have economic value—they increase the time available for productive activities and reduce the incidence of waterborne diseases, thus reducing the health shocks to households and the need for extra health expenditures. Access to clean water needs to be improved and the regional and rural-urban gaps reduced. Spending needs to keep up with population growth.

- Invest in water supply systems that are well distributed (spatially) to reduce the distance to water collection points. Such investment could reduce school dropouts and increase school completion, particularly for girls.
- Sustain existing public water supply systems, particularly in urban areas, through effective cost recovery, perhaps through user fees. Allocate the receipts to providing maintenance and upgrading systems.
- Provide technical assistance at all levels—ranging from piped water systems in urban areas to public fountains and private wells in urban and rural areas—to ensure that existing systems work properly and are well maintained.

### ***Monitor and Evaluate Government Spending***

Past weaknesses in monitoring and evaluation have allowed poor practices to persist—at great human and financial cost. Without data, the

government cannot know what planned strategies and programs will cost. Monitoring government expenditures and evaluating how effectively they are allocated to the poor will require monitoring systems that link spending to outcomes and targets. Evaluating resource flows through selected public sector expenditure tracking surveys can identify leakages and increase understanding of the effectiveness of sector resource allocation. Regular—well-designed and well-planned—household surveys can monitor poverty trends and their determinants. They can also provide the information needed for costed sector strategies that can produce results. The timing of those surveys should be aligned with the reporting needs for indicators in the poverty reduction strategy and other national strategies.

### **Improving Governance and Accountability by Getting the State Closer to Its Poor Citizens**

Mozambique's record on governance and accountability is mixed. The legacy of colonialism, decades of protracted conflict, and centralized rule damaged state-society relations, trust, and downward accountability in Mozambique. The checks and balances developed during the postwar period have frequently been unable to safeguard the needs and interests of citizens, particularly poor ones, leading to resentment, frustration, marginalization, and exclusion from the public sphere. Multiparty elections in 1994 were intended to support pluralism, but the winner-take-all system has resulted in a weak parliament and single-party dominance over all three branches of government. The judiciary—largely absent from the lives of the poor—is plagued by allegations of corruption. The media and civil society organizations have limited social accountability mechanisms.

Sustaining poverty reduction and increasing inclusion require social, economic, and public institutions that respond to poor people's needs. The government's poverty reduction strategy puts governance squarely within the poverty debate in Mozambique. One of the three pillars of the PARPA II poverty reduction strategy focuses on governance, including policies and programs to fight corruption, solidify the rule of law, improve protection from crime, raise accountability of the state, and support community and individual initiative. Three of the main instruments are a new legal framework for decentralization and enhanced implementation of the 1997 Land Law and the 2005 Family Law. The strategy also supports measures to implement other laws to improve the justice system at the local level. Characterizing all these measures are attempts to bring the state closer to the real lives of Mozambique's poor.

A forward-looking strategy for Mozambique has to lend equal weight to empowering communities and their localities as agents of change. The government could best position local areas to play a stronger role by implementing the following strategies:

- Making decentralization work for the poor—by devolving real power to local communities so they can advocate for more responsive public service delivery, influence service delivery mechanisms, and hold local service providers accountable for their performance
- Increasing access to justice for the poor—by expanding poor people’s opportunities to engage with institutions and ensuring that the judicial system is correspondingly responsive to necessary system changes to make justice accessible to the poor
- Making poor people’s land rights real—by formalizing land rights and titling, improving overall awareness of citizenship rights to land, and strengthening the consultation process around community land

### ***Making Decentralization Work for the Poor***

Decentralization and greater emphasis on citizen and community participation are part of the government’s strategy for improving service delivery. By bringing decision making closer to the people and by creating spaces for citizen participation in local planning and implementation, the government’s decentralization reforms are intended to enhance the responsiveness of public services to locally perceived priorities; increase their effectiveness, quality, and relevance; improve downward accountability and local checks and balances; and raise the effect of government policy on poverty reduction.

To participate effectively in service delivery, people need opportunities to influence the mobilization and management of resources and the delivery of services through voice (consultative and oversight mechanisms channeling service user preferences to service managers and frontline service deliverers) and choice (available options to select among multiple providers) so that people and communities are not forced to accept unresponsive service delivery. Critical parts of an empowering agenda include access to information, capacity enhancement, and direct participation.

### ***Informing Communities of Their Role in Decentralized Service Delivery.***

Beyond legislative advances, consultative councils have been implemented in all districts in Mozambique. Anecdotal evidence from the Poverty and Vulnerability Survey suggests that most consultative bodies

were established from top-down government pressure—rather than from bottom-up demand—given their legal requirement as part of the district deconcentration process. Indeed, in the districts and communities visited (outside the pilot province of Nampula), some consultative bodies were still not functioning properly. Even within a province (Niassa), the consultative forum was functioning in one of the localities studied (Luelele, Mandimba) and not in another (Lichinga).

***Strengthening State and Local Capacity.*** Weaknesses in capacity—within both the state and civil society at local levels—threaten to undermine reform’s potential benefits. Moving beyond legal institutionalization can ensure that participatory social accountability mechanisms work on the ground. Alongside the Local Initiative Investment Budget, large investments are needed in the human, technical, managerial, and administrative capacity of local governments to manage the district development process and associated budgets and to boost downward responsiveness and accountability. The decentralization reforms are based on radically different ways of conducting government and delivering social services. New skills and attitudes are required to facilitate participatory planning and encourage citizens’ voices, initiatives, and engagement. Some promising activities are in evidence, such as Radio Moc and community radio broadcasts in the central part of the country, which have increased awareness of the district budget and planning process.

***Improving Representation and Participation.*** The extent to which local communities can meaningfully participate in the local budget and planning cycle is uncertain. This uncertainty should not, however, lead to the conclusion that civil society is incapable of participating in the development planning process. What is required is building the capacity of citizens, civil society organizations, and even the media to interact with local governments and hold them accountable (box 2). An important element of such capacity building is improving citizen access to the information and knowledge needed for accountability—on budgets, procurement, service delivery costs, and user rights (including citizenship rights more broadly).

To engage in social accountability mechanisms, the very poorest in communities may even need assistance in building their capacity to aspire—beyond the organizational, technical, and basic reading and math skills that community representatives will need to master to effectively participate in these consultative bodies. In short, the education and training

**Box 2****Improving Participation in Planning and Monitoring Government Programs**

PARPA I opened space for a more participatory process in the development of planning instruments and promised that a permanent process would be established involving representatives of the sectors of government, the private sector, trade union confederations, civil society in general, and funding agencies (including donors). To achieve this goal, the Mozambican government, with donor support, formally set up the poverty observatory (PO) on April 19, 2003.

The PO has helped broaden civic engagement in the monitoring and evaluation of public policy making, with the aim of increasing public and downward accountability and responsiveness of government institutions and partners in PARPA implementation. The PO has great potential for bringing together key stakeholders in poverty planning, implementation, and monitoring. It has remained a purely consultative forum, however, formulated neither with any relevant sovereign organs (parliament) nor with the actual planning and budgeting process of the state. Moreover, it is sidelined by other monitoring and evaluation systems, particularly by the joint review mechanisms where the government's attention is focused.

Opportunities exist to build on the successes of the PO and the decentralization process, and specifically to link the POs at national and provincial levels to the bottom-up planning and monitoring of the consultative councils and forums at district levels and below. Given the many complexities, including the low capacity of civil society and citizens at the lower levels of the state, further resources and investments will be needed to develop a fully functioning and participatory monitoring system in Mozambique.

From a public accountability perspective, much more clarity is required on expected results—recommendations from the POs serve the poverty planning and programming cycle of the government. No systematic feedback mechanism exists yet between the government and the PO. A clear weakness in the structure of the POs is the lack of broad representation beyond the small and mostly urban middle-class elite. At the provincial level, concerns about the role of the PO and its formulation in local strategies, plans, and budgets are even more pronounced. The work of local consultative councils should be integrated into the monitoring efforts of the provincial POs.



of citizens and civil society need to be more fully integrated in the reform process to raise the quality of citizen participation in preparing, implementing, and monitoring development plans.

***Strengthening the Incentives for Participation and Implementation.***

Participation should be broadened beyond the district planning and budgeting stage to ensure greater downward responsiveness and accountability. By limiting citizen participation to consultations during the district planning stages, the incentives to participate and the ability to hold district, province, and national governments accountable are weakened. Incentives to participate in the district planning process are undermined by the slow pace of fiscal decentralization to districts. Perhaps more worrisome, however, is that few incentive mechanisms are available to district consultative councils—and to citizens more generally—to hold district governments accountable for local decisions, plans, and investments. Not even the crude mechanism of holding district officials accountable through the ballot box is available to citizens in rural areas. So, although consultative councils may have addressed part of the democratic deficit at the district level, they should not be seen as a substitute for democratic local government in the long term.

***Learning from Pilots.*** Alongside community participation in planning is a need to institutionalize greater civic engagement in monitoring and evaluating district plans and implementation. International experiences suggest several strategies to strengthen participatory monitoring and evaluation of public service delivery, including citizen report cards, social audits, and community scorecards. These should be piloted—and scaled up when they prove effective.

***Increasing Access to Justice for the Poor***

Improving the understanding of how poor people can access the resources and assets to achieve a secure and sustainable livelihood requires focusing on the systems of rights and justice available to the poor. In recent years, the government has put in place a range of legislative reforms that have begun to change the landscape of rights, justice, and empowerment for the poor. The most significant is the 2004 revision of the constitution. Other reforms—such as the 1997 Land Law and the 2005 Family Law—are also directly relevant to the lives of poor people, regulating their access to key resources inside and outside the household. Decentralization is also

changing the institutional landscape and the public policy approach aimed at realizing many of these rights.

The formal justice system remains inaccessible to most of the poor, with several constraints to access. A recent survey of national perceptions of the state of governance and corruption suggests that the three main obstacles are physical access and distance, costs, and corruption (table 3). General lack of awareness and knowledge of rights is also a factor.

***Disseminating Information on Rights and Responsibilities.*** The majority of poor men and women interviewed had very little insight on their specific rights and responsibilities as citizens. The few that recognized the existence of rights highlighted the right to vote; to live in freedom; to life; to work; and to health, food, and education. Some emphasized citizenship responsibilities—to pay taxes and to carry personal identification, a responsibility that carries its own set of problems for the poor. The majority of poor households are even unaware of recent laws directly relevant to their livelihoods and assets, such as the land and family laws. People's low awareness of their rights extends to land and inheritance rights.

Better dissemination of information on citizens' rights and responsibilities is thus critical. Given the substantial changes to the country's legal code since the early 1990s—particularly in small-scale commerce, natural resources, and family matters—disseminating information on these new laws and their implications for the rights of the poor is important. New laws are usually disseminated through the *Official Bulletin*. The sporadic and limited publishing of the bulletin, however, has hindered widespread dissemination of laws and other relevant legal information. Moreover, few laws have been translated into local languages and disseminated widely,

**Table 3. Importance of Household Constraints on Access to Justice**  
percentage of respondents

<i>Constraint</i>	<i>Not important at all</i>	<i>Not very important</i>	<i>Somewhat important</i>	<i>Important</i>	<i>Very important</i>
Costs	24.1	16.6	18.8	18.0	22.5
Bribes	26.6	16.3	27.6	13.3	16.2
Corruption	19.1	17.6	23.7	18.1	21.4
Incompetence	23.0	17.4	25.4	15.8	18.4
Waiting time/delays	20.2	17.1	22.9	20.1	19.6
Complexity	20.9	17.8	26.2	19.0	16.1
Execution	17.9	16.6	26.3	19.1	20.2
Distance	25.1	15.3	17.1	13.8	28.6

*Source:* Poverty and Vulnerability Survey 2006.

which causes major difficulties in a country where only 8 percent of the population speaks Portuguese, the official language, as a native language and only 27 percent speak it as a second language.

The costs of accessing judicial services are also a major obstacle. Court fees, costs of legal representation, and transportation and accommodation costs for those living far from the courts—most of the population—are usually prohibitive.

***Making the Justice System Fair.*** Bribes and corruption are particularly problematic for the poor in their access to justice. As many as 35 percent of the households interviewed in the Poverty and Vulnerability Survey expected to have to pay a bribe to receive judicial services. The police were rated as the fourth-most-corrupt public institution in Mozambique, with nearly a fifth of responding households saying they always have to pay a bribe to the police in return for a service. Traffic police were rated as the second most corrupt after customs officials. Although the proportion of households considering the courts corrupt is lower, it remains significant (11 percent of households claim that they always have to pay a bribe to receive assistance from the courts).

The representativeness and inclusiveness of community justice also present concerns for the poor. More than 60 percent of responding households felt that the weak and the poor are unable to get their interests considered within the justice system, and more than 40 percent felt that the system is insufficiently independent from the government and manipulated by economic interests—and is unfair overall as a result. The quality of justice services ranked as particularly poor. Indeed, 42 percent of households rated the quality of police services as either very bad or bad. The court system fared only slightly better, with 29 percent of households rating its services as very bad or bad.

***Establishing Procedures to Link the Formal and Customary Systems.*** Marginalized from the formal justice system, the majority of households—particularly in rural areas—rely on informal and traditional mechanisms of dispute resolution. Only 5 percent of households in 2005 resorted to the formal courts during the previous year. In rural areas, the proportion was 3 percent. Because the state police have a greater presence in rural areas, the proportion of households that sought their help during the previous year was slightly higher but still very low (8 percent nationally and 4 percent in rural areas).

Thus, most citizens resort to community courts, traditional authorities, and local leaders. Despite being closer to the needs of communities, community courts do not always overcome the problems associated with the formal system. Indeed, some households interviewed in the Poverty and Vulnerability Survey questioned the fairness and integrity of community justice systems. A male head of household in Pebane, Zambezia, for example, argued that “justice” could be bought—not only at the formal level but also from the community court.

Local authorities, by virtue of their roles as elected leaders with administrative mandates, often mediate and resolve community disputes. How these mechanisms follow established legal procedures is unclear. The 2004 constitution does not explicitly recognize the role of traditional and local authorities within the justice system, despite their importance in facilitating access to justice for most of the poor. By confirming the principle of legal pluralism, however, it allows future legislation to better integrate such mechanisms into formal justice.

### ***Making Poor People’s Land Rights Real***

The 1997 Land Law and accompanying regulations were to protect the land-use rights of small-scale farmers by recognizing the legitimacy of customary systems—and to provide investors with secure long-term rights while maintaining state ownership of all land. The law broke ground by recognizing access rights to land through customary and good faith occupation as equivalent to state-allocated land-use and benefit rights. The law introduced legal pluralism and equivalence between traditional and formal justice. Although the law encourages formalizing land-use rights, formalization is not required for the rights to be legally recognized. By emphasizing the rights of individuals to take their land out of customary jurisdiction and by affirming the primacy of constitutional principles, the law aims to guarantee women’s legal equality.

The law also provides private investors with secure rights through a renewable 50-year state leasehold. Before acquiring such land, however, a community consultation must set out the conditions for the takeover of the community right. In theory, this consultation mechanism formalizes the participation of local people in land allocation decisions and so should protect local rights, guarantee local livelihoods, and generate new resources for local community development. Owned by the state, the land cannot be bought or sold, but any private or community assets on the land can be sold, with the underlying land-use and benefit rights merely transferred to the new owner.

Implementation of the law has been relatively slow, but several advances can be identified. The government—supported by donors and national nongovernmental organizations and community service organizations—has invested heavily in raising awareness of the land law. In addition to making the law available in the national press and *Official Bulletin*, the government held extensive consultations with civil society, translated the law into six languages, and—most important—conducted a national campaign to take the basic messages of the law to the local level. Nongovernmental organizations and community service organizations have been very active throughout the process, educating the public on citizen rights and raising awareness of the land law. Building capacity and training personnel have also been important. The Center for Legal and Judicial Training, part of the Ministry of Justice, has trained community and district judges and prosecutors, district administrators, and paralegals to assist local communities.

***Increasing Poor People's Awareness of the Law.*** Despite investments in public education, most households—particularly poor households and those headed by women—are unaware of the land law and its implications. The findings from the Poverty and Vulnerability Survey suggest that people's low awareness of their citizenship rights extends to land rights. Indeed, both quantitative and qualitative fieldwork shows that nearly all respondents have little or no awareness of the land law or its implementation. Only 15 percent of urban households and 11 percent of rural households have any knowledge of how to obtain a land title under the current land law.

In urban areas, more than twice as many male-headed households as female-headed households know about titling procedures. Even in rural areas, the findings vary by gender, although somewhat less so. Household welfare also matters, especially in urban areas, where 30 percent of the richest third of households knows about land-titling requirements, compared with no households in the poorest third. Even a decade after the law came into effect, very few households know their specific rights to the land they rely on for their daily livelihoods.

Unaware of their rights, the poor are less likely to know and benefit from the real economic value of their land. Communities are also often unaware of the value of the land that they surrender to investors—and the returns that it could generate through careful deals. If the long-term benefits of these transactions accrue mostly to investors, their effect on reducing poverty will be negative.

***Empowering Poor Households to Register Their Land Rights.*** Voluntary land registration and low awareness of rights reduce the demand for land titles. Only a few households have formalized and registered their land rights. Even fewer households than those claiming to have knowledge about the law have titles to their land—less than 10 percent in urban areas and only 1 percent of households in rural areas. Nationally representative data suggest that only 2.6 percent of rural households have titles to their land. Because most people’s rights to land are still customarily and informally administered, they remain largely invisible to formal systems of rights registration and recording.

***Delimiting Community Land.*** Delimitation initiatives are benefiting local communities. In addition to allowing community groups to negotiate better benefits from potential private investors, delimitation has raised community awareness of legal rights (beyond land rights alone) and empowered greater participation in managing local resources. By providing a clearer definition of community boundaries, it has improved social cohesion and reduced conflicts. Further evidence of progress is shown by the many community consultations before private land investments and acquisitions. Community consultations take place in most cases of private claims on communal land—a great improvement on past practices, which often led to allegations of private expropriations of communal land. As a result, more of the economic benefits of private development are likely to be shared with local people and communities.

***Stopping the Hijacking of the Consultation Process.*** Although community consultations frequently accompany private claims to community land, the quality of the consultation does not guarantee local rights and benefits. In the context of rising demand for land from private investors—especially where community land-use and benefit rights are unregistered—the land law’s community consultation mechanism provides a potentially important means of formalizing land rights in a way that puts local rights firmly on the agenda. All private investors seeking land are required to conduct a consultation with the relevant community members to inform them of the purpose of the land use and to give them an opportunity to state their interests in the land. The consultation must then stipulate the terms of a partnership between the community and the investor under which the land-use and benefit rights are transferred.

Although the requirement for community consultations has been fulfilled in most private claims, the quality of the consultation process is

usually very poor, either resulting in essentially unlawful occupation of someone else's land or failing to produce real economic benefits at a level that can either maintain livelihoods or alleviate the poverty of beneficiaries.

The requirement for community participation has put local rights squarely on the agenda. Unless the failure to generate the local benefits expected from community consultations is addressed, however, the consultations may give land grabs by private investors a veneer of respectability by demonstrating compliance with the law and apparently—but not actually—safeguarding local needs and interests.

***Making Women Better Off By Claiming and Enforcing Rights.*** Mozambique is often said to have one of the most progressive and gender-sensitive land laws in southern Africa. Women continue to suffer discrimination in land rights, however, partly because of a lack of information and awareness about their rights, partly because of continuing discriminatory customary practices, and partly because administrative and judicial practices are still far from incorporating the norms and dynamics that the land law seeks to encourage. Women rarely participate actively in the consultations—in part, because dealing with the outside world is considered a man's role in most rural areas. Women's marginalization is worsened by the limited consultation process, whose brevity hinders the opportunities for women's participation behind the scenes.

***Improving Local Land Administration.*** The weak, inefficient, and inaccessible land administration system charged with implementing the land law compounds these problems. Successful implementation of the land law requires efficient, accessible, and accountable cadastral services; however, land administration in Mozambique remains highly bureaucratic and centralized, institutionally and technically weak, and severely understaffed, particularly at lower administrative levels. Moreover, the costs of delimiting and demarcating landholdings are prohibitive. The unresponsiveness of local cadastral services—or even their absence—is ultimately why customary land tenure systems remain so pervasive.

A more decentralized, accessible, and responsive local land administration system is needed, as are efforts to enhance local communities' and individuals' awareness of the rights stipulated in the 1997 Land Law and their ability to realize them.

Can Mozambique beat the odds and sustain inclusion in a growing economy? Can Mozambique realize its vision of consolidating peace and democracy, social stability, public safety, and the guarantee of individual freedoms as basic conditions for economic growth and a reduction in absolute poverty?

This report concludes that it can. It can pursue pro-poor growth by promoting agriculture and the private sector, especially labor-intensive activities, many of them small and informal. It can build human capital by improving access to basic public services, especially for the poor, and by increasing the value for money in public spending. Finally, it can improve governance and accountability by getting government closer to its citizens. To achieve these goals, the government will need to increase the value for money in its spending on public services. It will also need to target services for the rural poor and enlist poor communities in identifying needs and delivering those services. Moreover, it will need to put in place good tracking systems to link program outputs to targets and outcomes, using frequent, high-quality household surveys.





## CHAPTER 1

# Poverty's Many Dimensions in Mozambique

Poverty in Mozambique fell significantly between 1997 and 2003, with the percentage of poor falling from 69.4 percent to 54.1 percent. Rural poverty fell slightly faster than urban poverty, although rural poverty overall remains higher than urban poverty. These trends are favorable, but monetary poverty in Mozambique remains high, and geographic variations are large. Poor households are found disproportionately in agriculture, where they are most vulnerable to climatic shocks and seasonal income shortfalls. Such households have larger families and fewer income earners per dependent, and the income earners usually have no formal education. The poorest households even lack basic personal necessities, and most rural households live in precarious shelters. Vulnerability remains high as well; many households report lacking a stable and secure livelihood and lacking assets that could be sold to buffer shocks (box 1.1).

High vulnerability in Mozambique—both a cause and a consequence of poverty—is related to community and household capacities and strategies to deal with unexpected shocks and risks. The most common coping strategy in both urban and rural areas, which shows little variation across income groups, is to seek help from family and friends. Drawing down assets is more common in rural areas, despite the smaller asset portfolios of rural households. Reflecting their insecurity, 40 percent of

**Box 1.1****About Mozambique**

With 21 million people in 2006, two-thirds of them rural, Mozambique is the seventh-most-populous country in Sub-Saharan Africa. It has a long coastline and diverse climate and is prone to natural disasters. Despite recent progress, Mozambique's gross national income per capita, at US\$310, ranks 191 of 208 countries.

A colony of Portugal for 470 years, Mozambique became independent in 1975. Soon after, it plunged into a civil war, which became regional as neighboring South Africa backed the antigovernment guerrillas, the Mozambique National Resistance (MNR, or Renamo). A ceasefire agreement was signed in 1992 between the government and the MNR, thereby ending the war. A multi-party democracy under the 1990 constitution, Mozambique instituted multi-party elections and made a peaceful transition to new leadership in December 2004. By mid-1995 more than 1.7 million Mozambican refugees returned from neighboring Malawi, South Africa, Swaziland, Tanzania, Zambia, and Zimbabwe, the largest repatriation in Sub-Saharan Africa. Also, an estimated 4 million internally displaced people returned to their areas of origin.

rural households in the poorest communities saw only modest changes, if any, in their overall welfare since 2003. Community poverty is related to the absence of solidarity, trust, and civic and moral values.

Poverty and vulnerability have a strong gender component. Female-headed households—particularly those headed by widows—are more likely to be poor, especially in rural areas. Such households have fewer assets and less-diversified income structures. Overall, women have fewer income-earning opportunities in Mozambique. Female orphans in poor households are particularly vulnerable—more likely to be doing household chores and less likely to be in school.

**Monetary Dimensions of Poverty**

Monetary poverty is conventionally measured by total household consumption.<sup>1</sup> This report uses the Ministry of Planning and Finance's methodology, which calculates a consumption aggregate by deflating food prices temporally and spatially. With a flexible food bundle, this methodology essentially computes different nominal poverty lines by province, by urban or rural location, and by year (see MPF 2004a and the Methodology section of the

accompanying CD-ROM for further explanation of the methodology). Complementary analysis was conducted using the limited data set collected for the rapid household livelihood survey carried out in 2006 as part of the quantitative and qualitative fieldwork for this study: the Poverty and Vulnerability Survey or (PVS) (box 1.2).

### **Box 1.2**

#### **Data Used in the Report's Analysis**

Poverty is a multidimensional problem that goes beyond material deprivation, which includes lack of food, housing, land and other assets, and the means to attain them. Poverty is also a problem of vulnerability—the inability to cope with adverse shocks and the lack of voice, power, and independence in relation to societal and state institutions. Reflecting poverty's many dimensions in Mozambique, this Poverty, Gender, and Social Assessment combines multiple disciplines and diagnostic tools to explore poverty, using monetary, human, and social indicators, and the perceptions of poverty highlighted by poor individuals, households, and communities.

Mozambique is not a data-rich country. The assessment is based primarily on survey data collected between 1997 and 2003, supplemented by other sources. The main data sets were the following:

- Two cross-sectional national multipurpose household surveys, Inquérito aos Agregados Familiares (IAF) for 1997 and 2003. Their expenditure module is the base for the estimates of the population in poverty.
- Two cross-sectional demographic and health surveys (DHSs) from 1997 and 2003, which provide the most recent survey data on social service delivery and health and education outcomes.
- Cross-sectional rural household income surveys from 1996 and 2002 Trabalho de Inquérito Agrícola (TIA) and panel survey data from 2002 and 2005.

A small quantitative and qualitative Poverty and Vulnerability Survey (PVS) of households, groups, and individuals in four provinces conducted for this report in 2006 (see the Methodology section of the accompanying CD-ROM for details on the quantitative and qualitative surveys used).

Data from the Ministries of Health, Education, and Planning and Finance were used as well. The study draws on recently completed analyses prepared or sponsored by other donors, such as UNICEF's recent *Childhood Poverty in Mozambique: A Situation and Trend Analysis* (UNICEF 2006).

*(continued)*

The lack of nationally representative data on household consumption and poverty since 2003 limits the focus to developments up to 2003. Where possible, the analysis is updated using more recent data; however, this method means that the data sources might not produce a consistent picture, because they refer to different periods. This outcome is particularly true for the perceptions data, which were collected three years after the household survey data showed a major decline in poverty. These data are nevertheless used throughout the report. The report aims to better understand household and community organization, poor people's perceptions of their poverty, and the livelihood and coping strategies poor people use to improve their lives.<sup>9</sup>

a. See Kanbur (2001) on the importance of combining quantitative and qualitative approaches in understanding poverty trends and dynamics.

Poverty in Mozambique fell significantly between 1997 and 2003, with the percentage of poor people falling from 69.4 percent to 54.1 percent (table 1.1). Indeed, all three standard measures of poverty declined: the poverty head count, the poverty gap (measuring the average distance to the poverty line), and the squared poverty gap (the measure most sensitive to gains at the bottom).<sup>2</sup> The poverty gap index dropped from 29.2 percent to 19.9 percent. Hence, not only did 15.3 percent of the population move above the poverty line, but also the average household consumption of those who have not yet escaped poverty increased. The squared poverty gap measure also fell—from 15.5 percent to 9.9 percent during the same period, representing a 36 percent drop in the severity of poverty.

Rural poverty fell slightly faster than urban poverty, although rural poverty remains higher than urban poverty (figure 1.1). Poverty dropped by 16.4 percent in rural areas and 12.3 percent in urban areas. Rural poverty is, however, still higher than urban poverty, with the percentage of poor people in rural areas estimated at 55.2 percent, compared with 51.6 percent in urban areas.<sup>3</sup>

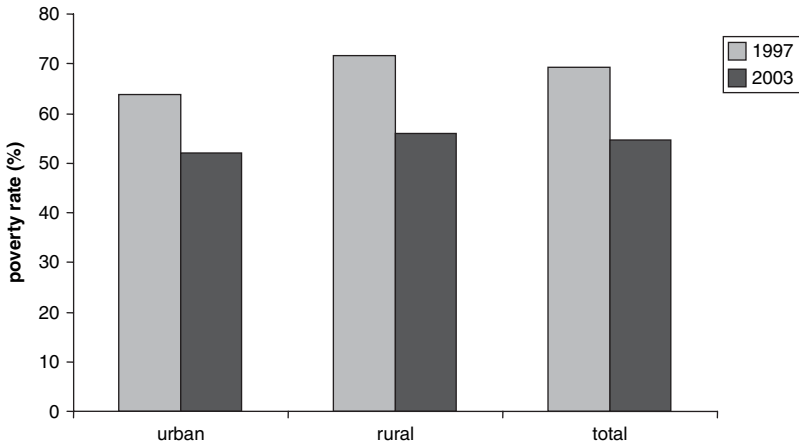
Poverty has been reduced in most parts of the country, although geographic variations are large (see table 1.1). Poverty has fallen most in the center,<sup>4</sup> mainly in rural areas, driven by the large changes in the populous provinces of Sofala and Zambezia.<sup>5</sup> Sofala, the country's poorest province in 1997, saw such significant reductions in poverty that in 2003 it became the least poor province in terms of income poverty. Poverty also fell in the north, although more in urban areas, and it rose in Cabo Delgado.<sup>6</sup> The south experienced an increase in poverty rates, especially

**Table 1.1. Poverty Measures, by Area, 1997 and 2003***percentage*

Area	Head count			Poverty gap			Squared poverty gap		
	1997	2003	Change	1997	2003	Change	1997	2003	Change
All	69.4	54.1	-22.0	29.2	19.9	-31.8	15.5	9.9	-36.1
Urban	63.9	51.6	-19.2	27.2	18.9	-30.5	14.8	9.0	-39.1
Rural	71.6	55.2	-22.9	30.0	20.4	-32.0	15.8	10.3	-34.8

Source: Authors' compilation from IAF 1997 and 2003 data.

Note: For consistency, the table uses the 2003 definitions of urban and rural areas.

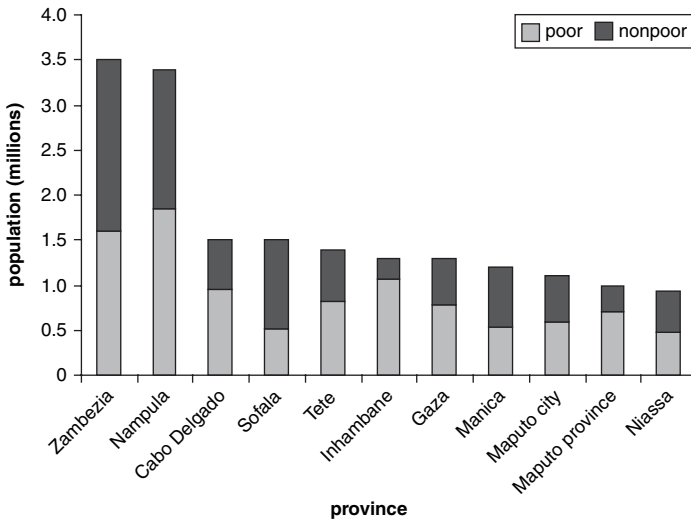
**Figure 1.1. Poverty Rates, by Area, 1997 and 2003**

Source: Authors' compilation from IAF 1997 and 2003 data.

Note: For consistency, the figure uses the 2003 definitions of urban and rural areas. The poverty calculation is based on per adult equivalent consumption.

in the city of Maputo and the surrounding province. Poverty in Inhambane, the second poorest province in 1997 after Sofala, fell only slightly, leaving Inhambane the poorest province in Mozambique in 2003. The small poverty reduction in the rural south was overwhelmed by the increase in urban poverty. Not only did poverty rise, but also its depth and severity increased in Maputo city and Maputo province.

Those trends are favorable, but monetary poverty in Mozambique remains high. As the national numbers suggest, 54.1 percent of the population still lives in poverty. Of the estimated population of 18 million in 2003, nearly 10 million people were below the poverty line. Each province has at least 500,000 poor people, with more than 1 million poor people in Nampula, Zambezia, and (disproportionately) Inhambane (figure 1.2).

**Figure 1.2. Population and Poverty, by Province, 2003**

Source: Authors' compilation from IAF 1997 and 2003 data.

## Household Characteristics by Income Group

How are the geographic, social, and demographic characteristics of Mozambican households correlated with poverty?

The poverty of households varies significantly by the gender of the head of the household. The income distribution is very equal among all quintiles of male-headed households, but female-headed households have a higher representation in the bottom quintiles, with a correspondingly lower representation in the top quintiles. The distribution improved slightly for male-headed households after 1997 but deteriorated quite significantly for female-headed households; by 2003 the largest share of female-headed households was in the lowest quintile. These results are largely confirmed by the recent 2006 PVS (see appendix table 1.21 on the CD-ROM). Much as in 2003, the populations in both urban and rural areas were relatively equally distributed across tercile groups. As underscored by the perceptions data presented later in this chapter, however, female-headed households in urban and, particularly, in rural areas had the largest share of their population in the poorest tercile. Male-headed households, by contrast, had the smallest share of their population in the poorest tercile, and in rural areas they had the largest share of their population in the upper tercile.

Poorer households tend to be larger, have higher proportions of children, have a higher dependency ratio, and contain a higher proportion of disabled adults. Larger households have lower consumption (both per capita and per adult equivalent), and those households with high proportions of children 6–14 years of age also have lower consumption.<sup>7</sup> Moreover, although the economic dependency ratio rose in all quintile groups between 1997 and 2003, the bottom quintile has a much higher dependency ratio than the others. The bottom quintile also has more disabled adults, adding to the burden of dependency.

Poorer households are, moreover, predominantly rural, and their heads work mainly in agriculture, have less education, and are older than those of richer households. The poor live in rural areas, where opportunities in sectors other than agriculture and paid employment are scarce, and their low human capital reduces the chances of taking advantage of opportunities in agriculture and outside it. The percentage of household heads in the bottom quintile engaging in agriculture fell from 87 percent in 1997 to 80 percent in 2003, however, reflecting a general shift away from agriculture and toward other sectors dominated by the upper quintile. The education of household heads in all quintiles also rose, although the bottom quintile still contains the largest proportion of household heads without any education—estimated at 38 percent.

Households across all income groups improved their holdings of durable goods between the two national survey periods. For some of the higher-cost items (motorcycles, bicycles, and televisions), the gap between the lowest and highest quintiles widened somewhat, but for most other goods, the improvements were more evenly distributed. Significantly, houses were upgraded in all quintile groups. Not only is housing an important savings vehicle for most households, but also, as highlighted by the PVS, many households see the quality (and security) of housing as an especially important indicator of poverty.<sup>8</sup> Thus, the disproportionate increase in households with durable roofs between 1997 and 2003 among poorer households is important. Because upgrading is usually a cash expense, it provides a good indicator of improvements in wealth and welfare since 1997 for the poorest income groups. Another indicator of better welfare is that the share of income spent on food decreased for all income groups, if slightly more for the richest.<sup>9</sup>

### **Human Development: Looking beyond Income**

As measured by the human development index (HDI), human well-being in Mozambique is fairly low. Developed by the United Nations



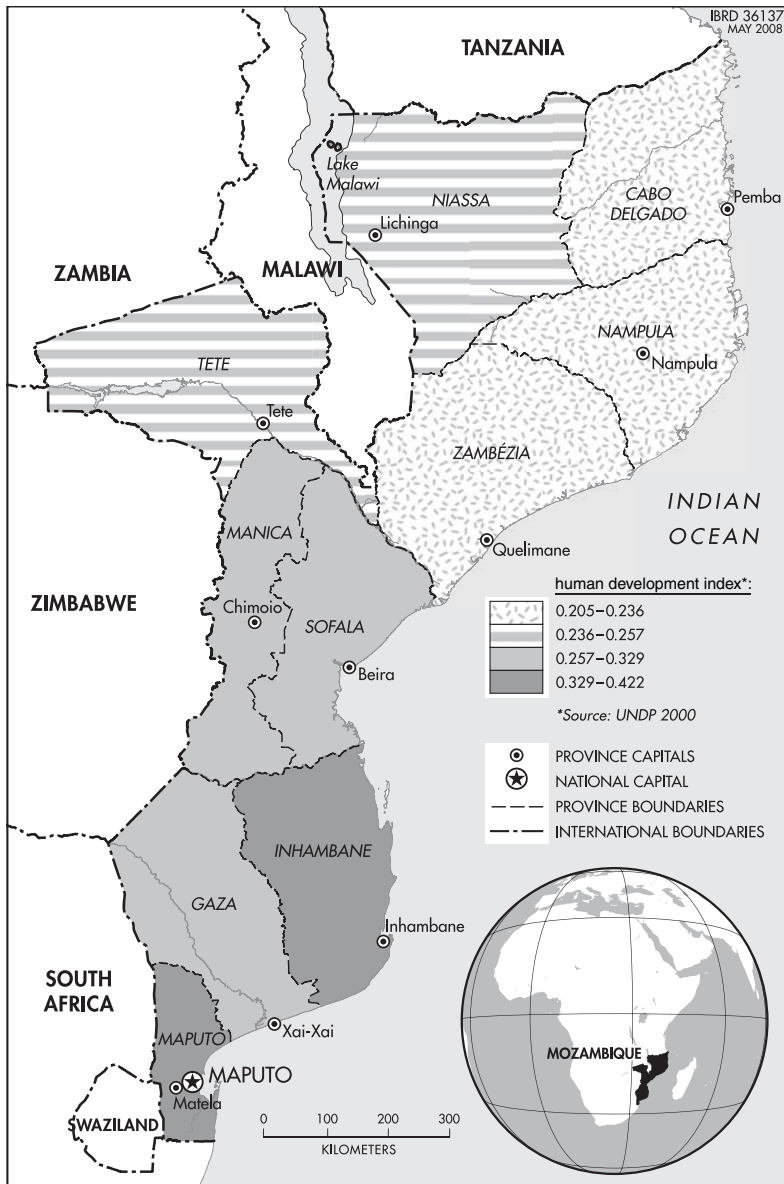
Development Programme, the HDI provides a composite indicator of human capability and well-being (expressed as a number between 0 and 1, where higher scores indicate better development). It is a weighted sum of three indexes, covering life expectancy, education, and per capita income.<sup>10</sup> Reflecting poor regional results on health, Mozambique currently ranks lowest among its neighbors on human development, just as it did 25 years ago (see appendix table 1.13). This ranking suggests that a lag may exist between changes in income measures of well-being and changes in nonmonetary dimensions of well-being, such as education and health.

Gender-related development in Mozambique also lags behind that of neighboring countries, but the gap between women and men appears to be narrowing. The gender-related development index is a composite index of the same three indexes captured in the HDI, adjusted to reflect inequalities between women and men in the three dimensions of human development. Partly reflecting its low HDI, Mozambique also has a lower gender-related development index than neighboring countries. As noted in the recent *Mozambique National Human Development Report 2005* (UNDP 2006b), however, the improvement in gender-related development during the past four years has been faster than that in human development, suggesting a narrowing gap between women and men.

Overall improvements in human development, although still low, have been impressive. Reflecting the dramatic reduction in income poverty, human development in Mozambique has improved significantly during the past decade. Since 1990 (the first year with data for all comparison countries), Mozambique's improvement in human development has outperformed other selected neighboring countries. In fact, only Mozambique, Uganda, and Malawi (much less so) have seen improvements in overall human development since 1990.

Regional variations in human development are great in Mozambique, evidencing significant differences between income and nonincome poverty (figure 1.3). Similarities in results also exist, such as low human development, particularly in the north (Cabo Delgado and Nampula), and the evidence of poor health outcomes in the center despite reduced income poverty rates (Zambezia). The results in the south are somewhat contrary to the findings on income poverty, suggesting that relatively high life expectancy and educational attainment may, from a human development perspective, outweigh the increase in income poverty in those provinces. These regional differences in outcomes reflect the differences in access to services, especially for health care and water (see chapter 4).

Figure 1.3. Human Development in Mozambique, by Province, 1999



Sources: "Earthtrends: Environmental Information," World Resources Institute, citing *Mozambique Human Development Report 2000*, <http://earthtrends.wri.org>; data from UNDP 2000.

## **Vulnerability, Shocks, and Coping Strategies**

*Vulnerability* means having a high probability of falling into poverty or into deeper poverty. It usually depends on the characteristics of the household—on its asset and resource base (natural, physical, financial, human, and social capital)—and on its capacity to respond to risks and shocks. The vulnerable are usually assumed to include the poor (who have a high probability of remaining poor) and the near-poor (who are likely to be pushed into poverty when faced with a shock or an unforeseen change).

### ***Risks, Shocks, and Coping Strategies***

The PVS uncovered a range of shocks and risks that communities and households frequently face.<sup>11</sup> In the eyes of the households interviewed, vulnerability was perceived to relate to the capacities and strategies of communities and households to deal with the risks of unexpected shocks and stresses. The most common covariate risks (those affecting all in a community) were shocks caused by climatic changes or natural disasters (such as droughts or floods), a downturn in the local economy, a sudden worsening of the internal terms of trade, or a health crisis (such as cholera). The main idiosyncratic shocks (those affecting individual households) included hunger, illness or death of a family member, unemployment, and loss of crops. The seasonality of vulnerability affects both communities and individuals.

The most common shocks, particularly for the poorest households in urban and rural areas, were illness of a family member and drought. As many as 54 percent of households in the poorest tercile in rural areas and 37 percent in urban areas reported the household experiencing a shock caused by family illness during the year preceding the PVS (see appendix tables 1.6 and 1.7). In the poorest rural tercile, 34 percent reported drought as the most common household shock, as did 17 percent in the poorest urban tercile.

The most common coping strategy in both urban and rural areas, with little variation across income groups, was to seek help from family and friends. This option was more available to households in urban areas than to those in rural areas (see appendix table 1.8). Drawing down on household goods and assets was more common in rural areas than in urban areas, despite rural households generally having fewer assets. Households in rural areas were also much more likely to do nothing and merely try to get by. As many as 21 percent of the poorest households in rural areas reported having done nothing to cope with the shock.

Risk-coping strategies are usually shaped by personal, human, and social capabilities, as well as by the incomes and assets that an individual or household can deploy. Overall, the poor have few safety nets. Instead, they pursue a range of risk-mitigating and coping strategies, which usually vary by social group (in particular, gender) and geographic area (table 1.2). In rural areas, coping usually includes casual day labor—often referred to locally as *ganho-ganho*<sup>12</sup>—on someone's farm in exchange for food or money. Although *ganho-ganho* is also practiced in normal times, it takes on particular importance as a coping strategy in times of shocks and stress, when few regular activities are available to the poor. *Ganho-ganho* also takes place in urban areas, where it usually consists of loading and carrying goods in markets.

*Ganho-ganho* is important for many, but the opportunities for such work are normally scarce, partly because only a few people are well-off enough to employ workers. Additional coping options in urban areas include noninstitutionalized social insurance and other strategies, usually based on precarious economic activities linked to informal trade in goods and services. Incomes from such activities are frequently low and irregular—and tend to go entirely to meet family consumption and subsistence needs. Other options are to draw down on existing assets by selling or pawning them, to reduce food consumption, or to borrow or beg for money.

**Table 1.2. Coping Strategies in Communities Visited, 2006**

<i>Coping strategy</i>	<i>Social group</i>
Casual day labor (on farms of others, also includes nonagricultural work)	All, but predominantly men and male youths
Collection of wild fruits, roots, and vegetables (mainly for consumption)	Women and children
Collection, preparation, and sale of firewood and charcoal	Male youths
Relying on remittances	All
Selling, consuming, and drawing down existing household assets	All
Borrowing from friends and family	All (those likely to reciprocate)
Begging	All (those with few assets left)
Early marriage	Young girls
Prostitution	Women, female youths, young girls
Social networks	All (limited to those with ability to reciprocate)

*Source:* Authors' calculations based on data from PVS 2006.

*Note:* Sample is not representative.

Coping strategies and livelihood strategies vary by gender. Women also take part in *ganho-ganho*, although they find fewer opportunities to do so. Other strategies of women include collecting wild fruits, roots, and vegetables for consumption, and those women who are divorced, abandoned, or single could be forced to develop sexual relations with better-off men or even to engage in outright prostitution. Younger girls might choose to marry (or be married off).

Social networks and relationships are crucial coping mechanisms for poor households. Proximity of extended families and links with them; good relations with neighbors and friends; and access to social, economic, and political elites were seen as crucial for a household's ability to weather shocks and risks. Such networks can open household access to financial assistance (such as remittances), material support, assets, and livelihood opportunities—outside the household and the community. They thus affect the dynamics of vulnerability (Tvedten, Paulo, and Rosário 2006: 79).<sup>13</sup> These social networks are based on the capacity to reciprocate, however—something that many of the poorest lack, leaving them with few means to cope.<sup>14</sup>

### ***Especially Vulnerable Groups***

Most Mozambicans, being poor, are vulnerable, but some are especially vulnerable, such as individuals who are physically incapacitated and thus unable to work and those whose access to productive resources tends to be limited or who may otherwise be socially marginalized.<sup>15</sup> The social groups most frequently noted as vulnerable were the elderly; the mentally or physically disabled; the chronically ill (including those living with HIV/AIDS); orphaned or abandoned children; widows and, to a lesser extent, widowers; and single, divorced, or abandoned women with children.

The elderly were invariably considered among the most vulnerable, particularly those living alone or in households with few young people. When people become older, they have to rely on the goodwill and the productive labor of others to survive—remittances or in-kind help from children; assistance from other relatives, neighbors, or friends—and on drawing down their few goods and assets in exchange for food and labor. If they have no one to help them and few assets of their own, they often end up as the poorest of the poor. Some, especially those who are disabled or ill, may be even more vulnerable.

Many of the physically and mentally disabled were often highlighted as especially vulnerable. A higher proportion of the poorest households

have at least one disabled member. Nhate and Simler (2006), using small-group estimates of poverty and drawing on the IAF and the 1997 census, found that households with a disabled member are considered poorer than households without. Households with a disabled member had higher rates of poverty across all three poverty indexes and thus are more vulnerable to shocks (see Nhate and Simler 2006: 10).<sup>16</sup> Such households have less access to services, particularly education, and are more likely to have nonworking household members, further increasing the household's vulnerability.

Although the chronically ill were often considered to be especially vulnerable, HIV/AIDS rarely came up as a reason for vulnerability in itself. However, HIV/AIDS is rapidly increasing the number of chronically ill people in Mozambique, among the most-affected countries in the world. HIV/AIDS often renders individuals physically unable to work their land, and adult illnesses and deaths from the disease leave households with fewer able-bodied earners. If the disease is publicly known or suspected, a household may be stigmatized and socially marginalized, further adding to its vulnerability. In addition to causing vulnerability on its own, HIV/AIDS has led to increasing numbers of orphans and single-parent-headed households.<sup>17</sup>

Orphans and children in lower-income households are particularly vulnerable and increasingly prevalent. Orphans and vulnerable children lack social recognition. They have few resources and receive little assistance. Furthermore, they may be neglected or abandoned by family members or neighbors. Some are forced onto the streets, particularly in urban areas. Estimates of the orphan population in Mozambique range from 12 percent to 16 percent of the child population (between 1.2 million and 1.6 million children were orphaned in 2006).<sup>18</sup> The proportion of orphaned children is slightly higher in urban areas (13.8 percent) than in rural areas (11.1 percent). Orphans are more likely to live in households where the head has no education, suggesting that poorer households (those less likely to have education) may shoulder more of the burden of caring for the growing number of orphans. Orphans also live disproportionately in households headed by women. Although female-headed households account for less than one-third of the population, more than half of orphans live in households headed by women.

Orphans are substantially worse off than nonorphans, although their vulnerability varies significantly by gender and wealth. In access to education—a key characteristic of current and future poverty and vulnerability—orphans lag far behind nonorphans (table 1.3).<sup>19</sup> In urban areas, only 75 percent of

**Table 1.3. School Attendance by Orphan Status, Area, and Wealth Tercile, 2006**  
*percentage of children 6–17 years of age*

<i>Orphan status</i>	<i>Urban</i>			<i>Rural</i>		
	<i>All</i>	<i>Poorest tercile</i>	<i>Richest tercile</i>	<i>All</i>	<i>Poorest tercile</i>	<i>Richest tercile</i>
All nonorphans	96.5	95.2	98.7	91.6	87.5	94.5
All orphans	89.7	75.0	96.0	79.2	75.0	83.3
Male nonorphans	97.7	96.3	98.4	91.5	86.2	93.8
Male orphans	91.4	88.9	92.9	78.3	75.0	80.0
Female nonorphans	95.2	94.4	99.0	91.7	89.5	95.3
Female orphans	87.8	63.6	100.0	80.0	75.0	85.7

*Source:* Authors' calculations based on data from PVS 2006.

*Note:* Sample is not representative.

poor orphans of school age attend school, compared with 96 percent of nonpoor orphans and 95 percent of poor nonorphans. In rural areas, the number of poor orphans not attending school is just as high, but because attendance by all children in rural areas is lower, the difference is less striking. Nationally representative data from 1997 and 2003 demographic and health surveys, however, show the difference in school attendance declining between orphans and nonorphans, with the gap closing more for male than for female orphans (see appendix table 1.11).

The large discrepancy in school attendance between poor orphans and others in urban areas mainly results from the strikingly low attendance of poor girl orphans in urban areas. Of poor orphaned boys, 89 percent attend school in urban areas. Only 64 percent of poor orphaned girls do. In comparison, 94 percent of nonorphaned poor girls and 100 percent of orphaned girls in richer households attend school. In rural areas, no gender difference exists for orphans living in the poorest households, and boy orphans are worse off than girl orphans on average. Both girl and boy orphans are substantially worse off than girl and boy nonorphans.

Orphans are also worse off than nonorphans in terms of domestic activities and chores. Although all children are regularly asked to take part in domestic activities and chores, orphans are substantially more likely to spend time on chores than are nonorphans in both urban and rural areas. In urban areas, orphans are more likely to take part in 8 of the 12 activities or chores surveyed (see appendix table 1.12). In rural areas, orphans are slightly worse off and are expected to engage more often than nonorphans in 9 of the 12 chores.

The sex of the child plays a significant role in the likelihood of engaging in any domestic activity. Girls (both orphan and nonorphan) in both

urban and rural areas are more likely than boys to participate in 8 of 12 domestic activities, whereas boys (both orphan and nonorphan) are more likely than girls to take part in only 2 of the 12 activities in urban areas and in only 1 of the 12 activities in rural areas. In some activities, the sex of the child seems to be a stronger determinant than orphan status (a nonorphan girl is more likely to be involved in cooking, washing, or fetching of water than an orphan boy), although orphan status is also clearly an important determinant.

Paradoxically, despite the number of chores that girls and orphans take part in, both groups on average are reported (by the head of household) to enjoy the most leisure time. According to the household respondents in urban areas, girls have as much leisure time as boys, and orphans are 20 percent more likely to engage in leisure than nonorphans. In rural areas, nonorphans are seen to have slightly more leisure time than orphans. Again, however, girls and boys are seen as being just as likely to engage in leisure. Here, at least, male orphans are seen as having less leisure time than nonorphans, but girl orphans are thought to have the most leisure time of all.

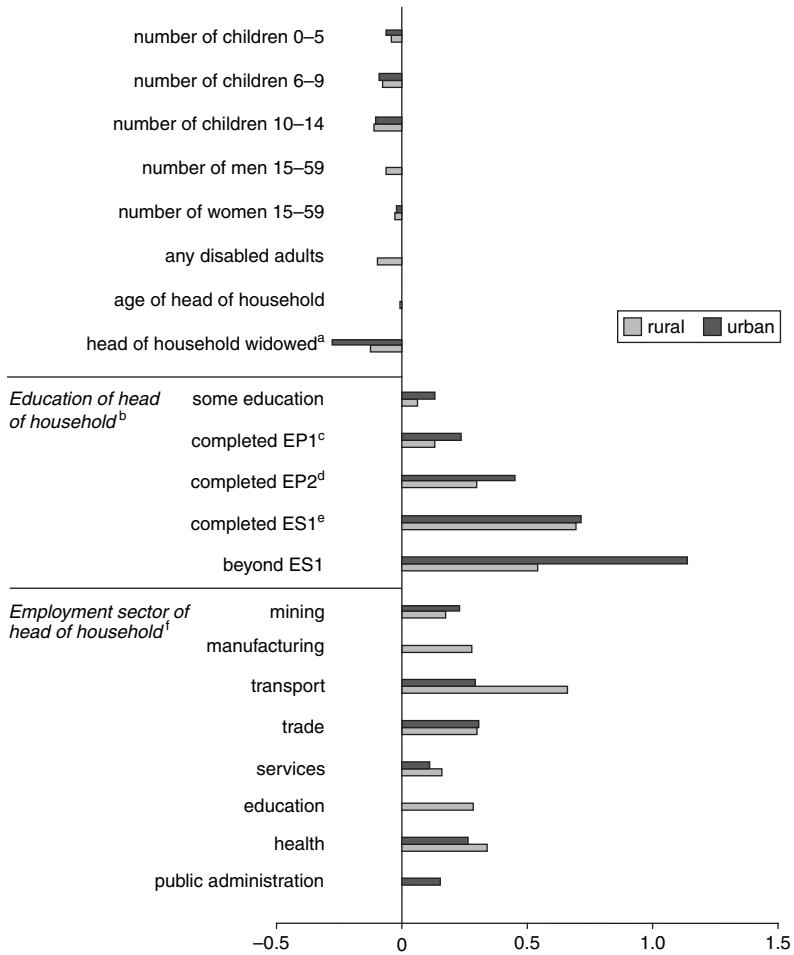
Female-headed households are more vulnerable. In some cultures in Mozambique, widows do not have the right to inherit assets, which can mean that household assets are confiscated by the husband's family after his death. Female-headed households were also considered more vulnerable because they often have fewer assets and fewer productive resources; hence, they have less of an asset base to deal with shocks. They are also predominantly engaged in agriculture, and their households are less diversified (especially in rural areas). Widowers were also often considered vulnerable. Without the support of their wives, widowers may find caring for themselves difficult. Having few assets, they may also have difficulty remarrying or finding another partner, although doing so is significantly easier for men than for women (Mather and others 2004). Some, instead, resort to alcohol, further deepening their poverty.

### **Drivers of Household Consumption**

The main drivers of household consumption are education, demographic factors, and the employment sector of the household head (figure 1.4).<sup>20</sup> Multivariate regressions isolate the separate effects of independent variables on household consumption. The analysis here compares the determinants of the log of per adult equivalent consumption in urban and rural areas. Separate regressions were run for each area, because the structures for urban and rural areas were found to be quite different.



**Figure 1.4. Regression Results: Determinants of Consumption, 2003**



Source: World Bank staff estimates.

Note: Bars indicate the percentage change in consumption associated with a one-unit change in the explanatory variable. Coefficients insignificant at the 95 percent level have been set to 0. Categories not displayed in the graph because they were not significant are number of adults over 60, any disabled children, head of household female, head of household married, head of household polygamous, head of household divorced, head of household female married, head of household female polygamous, head of household female widowed, and employment sector of head of household construction.

- a. Reference category: single male.
- b. Reference category: no education.
- c. EP1: Primary grades 1–5.
- d. EP2: Primary grades 6–7.
- e. ES1: Secondary grades 8–10.
- f. Reference category: agriculture.

Even a little education increases consumption, with rising returns, perhaps by making households more efficient. Among household heads, education is strongly correlated with higher consumption per adult equivalent. Reflecting the relative scarcity of secondary and post-secondary education, the returns to education rise with each additional education level completed. The effect of education in urban areas is higher than in rural areas for all levels of education (and especially for post-lower-secondary education). Compared with 1997, however, the payoff to education fell in urban areas for primary levels, remained the same for secondary levels, and increased for postsecondary levels.<sup>21</sup>

The household head's employment sector is strongly related to consumption. Households working in agriculture are among the lowest consuming. Some sectoral differentials are 20–30 percent. The premiums in urban areas are on the whole lower than in rural areas, except for households working in mines, trade, and public administration. In urban areas, households working in education do not consume significantly more than those in agriculture, which may suggest an emerging teacher pay issue. Over time (since 1997), the premiums for working in trade and services fell in both urban and rural areas, potentially reflecting the influx of labor into those sectors observed in recent years. In urban areas, the premium for working in manufacturing fell significantly, perhaps associated with the privatization and restructuring of parastatal enterprises of the late 1990s.

### **Perceptions of Poverty in 2006**

When poverty is seen through the eyes of the poor—as noted in the *Annual Poverty Report 2005*, prepared by Mozambican civil society—people cease to be seen as the objects of poverty and are instead redefined as subjects and agents of their own development (G20 2005: 13). This change in perspective shifts the emphasis of the poverty problem—as well as that of the public policies aimed at addressing it—to the opportunities, constraints, and risks faced by poor individuals, households, and communities, rather than merely focusing on their incapacity.<sup>22</sup>

### **Defining Poverty in 2006**

People's understanding of poverty is based on the distinct realities of their lives and experiences of poverty. Some characteristics of poverty deemed important for defining poverty at the community level (such as lack of services and basic infrastructure) are considered as external and structural factors tending to affect everyone in the community. Others

were more internal, helping define poverty at the household and individual levels (lack of productive assets or social status). Many of these defining characteristics of poverty are also regarded as both causes and consequences of poverty, highlighting its dynamic, complex, and interconnected nature. Attempting to accurately aggregate and summarize the different voices of the poor and the struggles they face on a daily basis is a nearly impossible task.

In an attempt to conserve the many “realities of poverty” encountered by the PVS, seven dimensions of poverty are presented here. First, the lack of income, money, employment, or livelihood figured frequently in people’s perceptions of poverty. The lack of secure and stable livelihoods also received attention, emphasizing the cyclical and seasonal nature of poverty. Second, the lack of productive assets, inputs, and complements for livelihoods—such as land, labor, livestock, seeds, fertilizers, tools, and improved technologies—was also frequently cited. For example, access to (good quality) land was raised as an indicator of poverty in areas with high population pressure (Quelimane, Zambezia). As discussed in later chapters, however, what seems to distinguish the poorest from the less poor in most parts of Mozambique are differences in access to labor to farm the land. Third, poverty invariably was defined as the lack of basic household and personal necessities, including food, clothing, and shelter or housing. Fourth, a lack of basic infrastructure (access to safe water, sanitation, irrigation, transport, energy, roads, and markets) and services (especially health and education, but also agricultural extension, credit, and social insurance) was also seen as an important aspect of poverty. Fifth, poor health and low education were frequently mentioned. A female focus group in Zambezia, for example, described poverty as the inability to keep children healthy, nourished, and clean. Low levels of education, lack of knowledge about agricultural techniques and markets, even ignorance—suggesting culpability on the part of the poor—were also described as characteristics of poverty.

Whereas the preceding dimensions of poverty are similar to those highlighted earlier, using quantitative (“objective”) indicators of poverty, the two remaining dimensions of poverty as highlighted by the poor differ significantly and particularly help expand the understanding of poverty in Mozambique: the lack of social capital, and poor governance and institutions.

The lack of social capital, the sixth dimension of poverty, was highlighted as a key element of poverty in some notable cases, as were the social, psychological, and spiritual dimensions of poverty. In community-level

poverty, the absence of solidarity, trust, and civic and moral values was noted. Such feelings were also perceived to undermine the ability to form associations and other collaborative ventures, which in turn could undermine the ability of subsistence farmers to negotiate higher agricultural prices with buyers and traders. At the household or individual level, well-being depended on links to extended families; good relations with neighbors and friends; and access to social, economic, and political elites. Such networks help households get financial assistance (such as remittances), material support, assets, and livelihood opportunities and may thus have important implications for the dynamics of poverty. Social networks are based, however, on the capacity to reciprocate, something the poorest often lack.

Social characteristics were also considered important. The gender, age, and marital status of a household head, for example, may influence a family's access to land and labor. Indeed, in parts of Mozambique women can gain access to such resources only when married, through their husbands. For these reasons, women often noted the absence of a husband as a defining feature of poverty. Women also highlighted having no children as a sign of poverty—both because children were considered a source of labor and future income and because having children was seen as a blessing in its own right. Other social factors indicating a poor household were unstable families, which were affected or even torn apart by a husband's alcoholism or by domestic abuse and violence (principally toward women and children). Some of the discussions brought up the psychological elements of poverty—such as stigma, loss of dignity, feelings of powerlessness, and even culpability or being “cursed” by witchcraft for some.

Poor governance and institutions were also seen as a dimension of poverty. This dimension, referred to as political poverty in the *Annual Poverty Report 2005* (G20 2005: 14), is related to the maintenance of peace, stability, and public security; to the quality and breadth of state-society relations and interactions; and to the participation in and influence over public decision making. Communal and family conflicts and public insecurity—thefts, robberies, physical aggression, threats, and even murders—were highlighted as identifiers, causes, and consequences of poverty, particularly at the community level. Many respondents also spoke about neglect and a sense of abandonment by the state and other external actors, such as nongovernmental organizations. In some areas, these feelings of abandonment coexisted in seeming contradiction with perceptions of a hostile and interfering state—poor people's sense of powerlessness

vis-à-vis public officials; instances of harassment by state police, tax collectors, and other officials; and corruption and bribe taking in the delivery of public services. Respondents also identified a sense of political marginalization and exclusion from public institutions, processes, and mechanisms that left poor people unable to voice their needs and opinions and influence the decisions that affect their struggle with poverty.

### ***Perceptions of Poverty and Inequality in 2006***

Poverty is a relative concept, linked to inequality in social and power relations. In all the villages, discussions of the dynamics of poverty and relations between “poor” and “rich” made clear that perceptions of poverty and inequality—expressed through intracommunity differences in poverty and well-being—are often linked to social differentiation and marginalization. As noted by an elderly man in the fishing village of Pebane, Zambezia: “When you have shoes, you don’t have to kick stones around. . . . We, on the other hand, do not know if we are sons of the state or even sons of God; for us a better future never arrives. We here are part of the ‘Zero’ and not part of the ‘One’” (UEM 2006: 75). In explaining this distinction, he noted that those who were part of the “One” were from the economic and political powers in the village or connected with them. The “Zeros” were the poor and socially excluded, who had few connections to the elite and powerful. In this village of Ones and Zeros, there are the privileged and the “sons of a lesser God, deprived of everything and forgotten by everyone” (UEM 2006: 75).

Inequality thus seemed central to the notion of poverty. Whereas poverty at the community level would often be explained as caused by external factors and constraints, intracommunal poverty would instead be related to unequal social and power relations—and to personal factors, such as misfortune and bad luck, and to more culpable factors, such as ignorance and laziness, or to witchcraft.<sup>23</sup> In general, poverty was blamed on unequal access to public resources and support. The poverty of elderly, disabled, or demobilized soldiers was blamed on unequal access to government-provided social insurance (through the National Institute for Social Welfare, or Instituto Nacional de Assistência Social).<sup>24</sup> Often, the reason why some community members received support while the majority did not was unclear; some alleged that favoritism, contacts in the district administration, or pure luck explained the unequal treatment. In an example from the *município* of Angoche in Nampula, inequalities in political power and influence were highlighted as being at the core of the crisis of unemployment and poverty (UEM 2006: 42).

Almost all the people and households interviewed for the PVS identified both themselves and the communities they lived in as poor. Very few respondents recognized truly well-off households (those with mopeds or cars and secure, salaried, formal employment) in their communities. Urban households considered themselves slightly better off than rural households. Nearly 40 percent of rural households considered themselves as at the bottom of the scale, and fewer than 5 percent placed themselves at the top (table 1.4). In urban areas, only 31 percent of households felt they belonged to the bottom of the scale, and more than 12 percent saw themselves at the top.

Male-headed households in both urban and rural areas, moreover, considered themselves much better off, on average, than female-headed households. About a quarter of male heads of household in urban areas, and a third in rural areas, placed themselves at the bottom of the scale, compared with about half of female heads of household (slightly less in urban areas and slightly more in rural areas). About 16 percent of male-headed households in urban areas and 12 percent in rural areas placed themselves in the top bracket, compared with about 6 percent and 1 percent of female-headed households in urban and rural areas, respectively.

The overall perceptions of poverty are also reflected in food security indicators. In the 12 months before the interviews, as many as 43 percent of households in urban areas and 53 percent of rural households

**Table 1.4. Self-Assessment of Welfare Relative to Others in the Community, 2006**

*percentage*

Assessment	Urban			Rural		
	All	Male-headed household	Female-headed household	All	Male-headed household	Female-headed household
1—Poorer	31.3	24.6	44.0	39.9	33.2	57.1
2	28.8	31.8	23.2	22.5	22.6	22.1
3	19.1	17.8	21.6	16.3	17.1	14.3
4	8.6	10.2	5.6	12.3	15.1	5.2
5	8.3	10.6	4.0	4.7	6.5	0.0
6	3.0	3.8	1.6	2.2	2.5	1.3
7	0.3	0.4	0.0	0.4	0.5	0.0
8	0.3	0.4	0.0	0.7	1.0	0.0
9	0.3	0.4	0.0	1.1	1.5	0.0
10—Less poor	0.0	0.0	0.0	0.0	0.0	0.0

*Source:* Authors' calculations based on data from PVS 2006.

*Note:* Sample is not representative.

complained of having suffered from hunger (see appendix table 1.15). Not surprisingly, more of the poorest households in both areas have suffered from hunger than those in the wealthier terciles. Perhaps more surprisingly, more male-headed than female-headed households in both urban and rural areas went hungry at one point during the previous year. The numbers are comparable when looking at the number of meals consumed during the previous day. Of urban households, 63 percent—and of rural households, 69 percent—noted that they consume only two meals or fewer a day (table 1.5).<sup>25</sup> Fewer rural households than urban households consume only one meal a day, but urban areas have a higher proportion of households that consume three meals a day. Although more male-headed households seem to have suffered from hunger in the preceding 12 months, female-headed households on average consume fewer meals per day than male-headed ones, particularly in urban areas. Indeed, the overall difference in consumption of meals per day between urban and rural areas is mainly explained by the difference between male- and female-headed households.

Perceptions of trends in poverty are more ambiguous, however, and largely depend on the dimension of poverty being considered. Both qualitative and quantitative data from the PVS suggest that over the preceding five years some dimensions of poverty have improved—particularly those relating to community-level poverty. Perceptions data from focus groups and semi-structured individual interviews suggest few improvements in the delivery of agricultural extension and credit services but more in the access to public or community water sources and in the delivery of basic social services (see appendix tables 4.16 and 4.30).

**Table 1.5. Number of Meals Consumed during Previous Day, 2006**

*percentage*

<i>Number of meals</i>	<i>Urban</i>			<i>Rural</i>		
	<i>All</i>	<i>Male-headed household</i>	<i>Female-headed household</i>	<i>All</i>	<i>Male-headed household</i>	<i>Female-headed household</i>
One	12.2	8.1	20.0	9.8	8.0	14.3
Two	51.0	54.2	44.8	58.7	57.3	62.3
Three	36.8	37.7	35.2	31.5	34.7	23.4
Total	100.0	100.0	100.0	100.0	100.0	100.0

*Source:* Authors' calculations based on data from PVS 2006.

*Note:* Sample is not representative.

Even so, perceptions of trends in overall poverty suggest a worsening in the living standards and the well-being of the poor. Findings from the PVS suggest that the improvements in welfare at the community level have not been translated into perceptions of profound and direct effects on the poverty of households. Indeed, despite the reduction in income poverty between 1997 and 2003, about 40 percent of households in both urban and rural areas felt that their overall poverty situation either remained the same or worsened in the past five years (tables 1.6 and 1.7).

Household opinions differ significantly by gender. In rural areas, as many as 87 percent of female heads of household felt that their poverty situation has either worsened or stayed the same, compared with 68 percent of male-headed households. Moreover, nearly a third of male heads of rural

**Table 1.6. Perceptions of Change in Household Poverty in Rural Areas over Past Five Years, 2006**

*percentage*

Perception	All households			Male-headed household			Female-headed household		
	All	Poorest	Richest	All	Poorest	Richest	All	Poorest	Richest
		tercile	tercile		tercile	tercile		tercile	tercile
Better	26.8	11.0	45.6	32.2	16.6	48.1	13.0	4.7	30.8
Worse	40.6	61.5	24.4	37.2	54.2	23.3	49.4	69.7	30.7
No change	32.6	27.5	30.0	30.6	29.2	28.6	37.6	25.6	38.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

*Source:* Authors' calculations based on data from PVS 2006.

*Note:* Sample is not representative.

**Table 1.7. Perceptions of Change in Household Poverty in Urban Areas over Past Five Years, 2006**

*percentage*

Perception	All households			Male-headed household			Female-headed household		
	All	Poorest	Richest	All	Poorest	Richest	All	Poorest	Richest
		tercile	tercile		tercile	tercile		tercile	tercile
Better	25.2	11.7	42.7	28.4	17.7	43.4	19.2	4.1	41.2
Worse	37.7	51.4	23.9	37.3	45.2	25.3	38.4	59.2	20.6
No change	37.1	36.9	33.4	34.3	37.1	31.3	42.4	36.7	38.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

*Source:* Authors' calculations based on data from PVS 2006.

*Note:* Sample is not representative.



households felt better off than five years before, nearly two and a half times the proportion for female heads of rural households.

Those who viewed themselves as poor in the subjective perceptions of change in well-being were indeed the poorest in the community. Households in the upper terciles viewed changes over the preceding five years significantly more positively than did the households in the poorest tercile. The poorest households were much more likely to view the changes as having been for the worse than were the richest households. Overall, however, these perceptions contrast starkly with the findings on monetary poverty.<sup>26</sup>

Agricultural income data from rural areas document increasing inequality in recent years, which might provide some insight into this apparent paradox. As discussed in greater detail in chapter 3, inequality appears to have risen in rural areas between 2002 and 2005. Hence, a possibility exists—especially in rural areas—that growth after 2003 has not been trickling down to the poor to the same extent as in the earlier period. Increasing income divergence, coupled with frustrations from a potentially slowing pace of poverty reduction, might underlie the recent perceptions data. Findings from the qualitative assessment shed further light on this phenomenon. Households frequently complained of rising costs of living and worsening internal terms of trade<sup>27</sup>—particularly for subsistence farmers—which affect the poor more severely than others. Additional reasons noted for greater perceptions of poverty were diminishing employment opportunities caused by a collapse in public sector and parastatal jobs, a changing climate and increasing natural disasters, and a greater vulnerability for households and individuals brought about by deteriorating health conditions, including HIV/AIDS.

Households nevertheless remain hopeful about their future well-being. The percentage of households in urban areas expecting poverty to decrease or remain the same in the near to medium term was higher than those anticipating increased poverty (see appendix table 1.19). Although the optimism of the urban areas was not necessarily shared in rural areas, a much lower percentage of households in both rural and urban areas was pessimistic about the future than was pessimistic about the past. This hope for the future may reflect an expectation that improvements in community well-being will eventually trickle down to the household. It may also suggest a lag between the growth in household consumption recorded earlier and those households' perceptions of improved living standards.

## CHAPTER 2

# The Mechanisms of Shared Growth

## *Structural Change and Household Livelihoods*

High and sustained postwar growth was the most important factor in Mozambique's poverty reduction performance between 1997 and 2003. The ignition for growth came from new private investment in physical capital and high levels of public spending. Private investments increased because the government's stabilization policies reduced risks and increased the rate of return. These policies held down inflation while reducing the cost of doing business and lowering restrictions on competition, such as price controls and inefficient parastatal monopolies. Donor aid supported growth by financing public investment in infrastructure rehabilitation and the development of a more efficient and effective public sector. Donor aid allowed both investment—needed for growth—and consumption per capita to increase, thus supporting higher welfare.

High growth translates into poverty reduction only if it is broadly distributed—in other words, if the character of the growth is pro-poor. In 1997, Mozambique had a modestly high level of income inequality, and it stayed constant through 2003 (the last measurement), indicating that the fruits of growth were widely distributed. How did this happen? Growth was pro-poor because changes in the structure of production were labor intensive—pulling labor out of agriculture into higher-value

sectors, in both rural and urban areas. This phenomenon raised the productivity of labor and incomes in agriculture, lifting incomes for the bottom half of the distribution and contributing 75 percent to the fall in the poverty head count. The labor force shifted into the service sector to meet the demand for nonfarm goods and services that came from increased rural and urban incomes. Labor also shifted into the construction sector, which was stimulated by high rates of investment. These shifts compensated for the loss of jobs in the manufacturing sector as overall wage employment went up between 1997 and 2003. Finally, increased incomes plus better access allowed rural households to send their children to school rather than having them work in the fields, thus reducing the growth of the rural labor force.

The backbone of poverty reduction was the ability of family farmers and family-owned businesses—where more than 90 percent of the labor force in Mozambique works—to raise their incomes. In the rural sector, public spending on rehabilitating the infrastructure needed to gain access to markets supported growth in rural incomes. Using cash gained from selling agricultural produce or working for cash either during harvest or in the off-season, households invested in new microbusiness or self-employment ventures. In urban areas, households also diversified when one member of the family—usually the male—was able to find a wage job or earn income in nonagricultural self-employment or a small business. On average, nonfarm jobs generated higher earnings than growing crops. Some very successful farming households succeeded as well by moving into high-value crops. Overall, households with diversified sources of income tended to be less poor in 2003 than those that did not diversify.

Adults with more education were much more likely to be in high-earning occupations. Few people without at least some primary education were able to get a nonagricultural wage job. Unfortunately, in 2003, nearly 86 percent of women in the labor force did not finish EP1 (grades 1–5); neither did 68 percent of men. Lack of education is one reason why women were more likely to stay in agriculture; another is the high burden of household chores women face, especially in rural areas, which constrains the number of hours women can spend earning income. Not surprisingly, female-headed households were less likely to be able to diversify their income, and thus some may be in a poverty trap.

Since 2003, the blistering pace of economic growth has continued. Mozambique's growth and poverty reduction episode is already one of

the longest in low-income countries. Research shows that growth cycles usually run out after about seven years in low-income, non-oil-producing countries. When growth starts after a crisis, it is based at least partly on rehabilitation. When this source of growth is exhausted, growth sputters out or inequality increases, halting the poverty reduction impact. Sometimes both occur. Through good policies that provided political and economic stability, Mozambique has so far beaten the odds and sustained economic growth.

Whether Mozambique is continuing to beat the odds on shared growth is unclear. The latest comprehensive data on living standards are from 2003, when about half the population was classified as poor, and the evidence since then is sketchy. The agricultural sector overall has continued to grow, and such growth should be lifting more households out of poverty. Government data show continuing increases in access to services, and rural income survey data show that average household incomes have increased. Using extrapolations of a few indicators, the Ministry of Planning and Finance predicts a continuing fall in poverty; however, other indicators point to a slowdown in that fall. Rural income inequality seems to be growing, and already high urban inequality persists, so fast growth may now have less of a poverty-reducing effect. Government strategies can increase the odds of shared growth by focusing on the household firms and farms that are the livelihood of the poor.

### **The Environment for Poverty Reduction, 1997–2003**

Mozambique has a typically low-income African economy—rural, with 80 percent of the labor force employed in agriculture, forestry, or fisheries. Because Mozambique is a vast country, with low population density, regional economic differences are important. In the south, economic relations are dominated by the proximity to the South African economy; Maputo is less than four hours' drive from the border. Road, rail, and sea travel links dating to colonial times facilitate the movements of goods and people to and from South Africa and from there to the world. The more urban south has more than 60 percent of the jobs in registered firms. Mozambican men from the south have a long tradition of migrating to South Africa to work.

The central and northern provinces are the grain baskets and produce most of the traditional export crops (cotton, cashew, tobacco, and sugar). The transportation network runs east to west, with trading relationships dominated by the proximity to Malawi and Zimbabwe.

Mozambique's grain production can be the safety net for Malawi in years of poor production; the very poor quality of the north-south transportation network makes shipping agricultural production from the north to internal markets in the south prohibitive. Hence, when droughts occur in the south, grain is likely to be imported. The center, split by the Zambezi River, is fertile (though subject to flooding). The largest city, Beira, on the southern side of the river, is the second main source of manufacturing employment.

Mozambique faced serious macroeconomic difficulties in the mid-1990s, with annual inflation at 48 percent and the balance-of-payments deficit at 17 percent of gross domestic product (GDP). Restoring macroeconomic balances was necessary to create a stable environment for investment. Emergency food aid—which had helped finance the deficit—was being reduced, so imports had to be reduced as well. The macrostabilization policies (including gradual exchange rate depreciation) restored fiscal and monetary balances. Policy targets for this period included those for investment and poverty reduction. Investment rose to 12.5 percent a year over 1997–2003, financed by increased government and private savings (table 2.1).

The redirection of resources to investment reduced the growth of total consumption to 4 percent a year (2 percent per capita), a potential threat to the poverty reduction target. In many countries, such a slowdown in the growth of private consumption would have increased poverty. Thanks to the character of the growth process, however, aggregate consumption growth reduced the poverty head count and improved nonmonetary welfare. The growth of government consumption increased the quantity and

**Table 2.1. GDP by Expenditure Category, Share, and Growth Rate, 1997–2003**  
*percentage*

	<i>Share of GDP</i>		<i>Average annual growth rate</i>
	<i>1997</i>	<i>2003</i>	<i>1997–2003</i>
GDP	100.0	100.0	8.9
Consumption	97.0	89.4	7.6
Private	89.9	79.0	6.9
Public	7.1	10.3	14.9
Investment	21.8	27.4	12.5
Private	10.6	15.7	15.1
Public	11.2	11.7	9.6
Exports-imports	-18.8	-16.8	7.2

*Source:* World Bank staff estimates.

quality of public services, especially access to education, while the growth of private consumption directly improved monetary well-being as it reached most of the population.

The main driver of growth was increased public and private investment. At the most aggregate level, economic growth is determined by the rate of accumulation of factors of production (human and physical capital, labor) and the rate of growth of the productivity of these factors. The main aggregate driver of growth during this period was the growth of physical capital, an unsurprising result given the growth rate of total investment (public and private) during the period. This investment and efficiencies in the use of capital, obtained by rehabilitating critical infrastructure, fueled the high rate of growth. The growth of the labor force and human capital played smaller roles because labor force growth was unusually low during this period. Moreover, big government investments to increase enrollments had not yet reached the labor force in 2002, so increases in the labor force's human capital were also low. The lesson: if Mozambique had scaled up increases in human capital more, growth might have been even faster.

Mozambique's virtuous cycle of investment, growth, and poverty reduction in 1997–2003 is even more impressive given the negative international and national price trends. Mozambique's international terms of trade deteriorated mainly because of falling export prices. Its import price index in 2003 was about the same as in 1997, falling by 10 percent in the intervening years and then climbing back up again. However, its export prices fell by 15 percent, resulting in a 15 percent drop in national purchasing power. This price change was reflected—and magnified—in the internal terms of trade (agricultural price index divided by the price index for other goods and services). Prices for agricultural goods fell 25 percent relative to prices for other goods, pushing down the purchasing power of agricultural incomes (see appendix table 2.3).

Growth reduced poverty thanks to the equitable distribution of its benefits among households. Consumption growth was about the same for all income groups over 1997–2003 (see appendix table 2.4). It was poor in absolute terms—the consumption per person of the poorest households increased in real terms throughout the period. In addition, urban consumption increased more slowly than rural, especially for the urban middle class, thereby slightly reducing the urban-rural gap in welfare. This slower growth in urban household consumption is related to the macrostabilization—especially the depreciation, which increased the cost of imported goods and urban services such as transportation

(higher fuel costs). Because these items are important in the consumption basket of those in the lower three quintiles in urban areas (imported rice is a staple food in urban areas), real consumption growth was slower in those areas. Hence, the reduction of poverty was also slower in urban areas.

National inequality, modest at the beginning of the period, stayed modest through 2003. Measured either by the Gini coefficient or the Theil index, national, urban, and rural inequality were all virtually unchanged between the two household surveys for 1997 and 2003.<sup>1</sup> Inequality between rural and urban areas is also low—less than 3 percent of total inequality is caused by the rural-urban income gap. Although Mozambique's Gini coefficient—more than 0.40—is worrisome, it is on a par with that of other low-income countries. Of 81 countries in a World Bank database, 49 have a national inequality higher than Mozambique according to the most recent estimate (see appendix table 2.6 and <http://iresearch.worldbank.org/PovcalNet/jsp/index.jsp>). Most of the countries with lower inequality are in Asia; only a few are in Africa.

Inequality within urban areas increased, which reduced the effect of growth on poverty reduction in urban areas. If the highest quintile had not gotten a much larger share in the growth in consumption per adult equivalent in urban areas, the fall in the urban poverty head count would have surpassed the rural one (table 2.2). For most population subgroups, the contribution to poverty reduction of the change in the distribution of consumption within the group was less than 10 percent of the change in poverty; thus, the increase in consumption translated directly into poverty reduction. This outcome was particularly true for rural households and for households whose primary earner worked in the agricultural sector. These groups had very high consumption growth, and both contain the majority of households in poverty and the majority of poor households—the two groups demonstrate a high overlap. Therefore, the equitable character of income growth for these two groups made a huge difference in poverty reduction.

Migration, although important in the south, is insignificant nationally. Sectoral results were driven by consumption gains for households engaging in agriculture, explaining 11 percentage points of the 15 percentage point national reduction in poverty since 1997. The contribution of intrasectoral shifts (mainly from agriculture into private services), although reducing poverty, was not large. Despite these improvements, poverty continues to be mainly a rural and agricultural phenomenon because of the concentration of the majority of the population in these areas.

**Table 2.2. Decomposition of Change in Poverty by Location and Sector, 1997 and 2003**  
percentage

<i>Decomposition</i>	<i>Level and change</i>	<i>Population share</i>		
		<i>1997</i>	<i>2003</i>	
<i>Mozambique</i>				
Poverty in 1997	69.4			
Poverty in 2003	54.1			
Total change in poverty 1997–2003	–15.3			
<i>Regional</i>		<i>By region</i>		
Change in poverty in the north	–3.7	North	32.3	32.3
Change in poverty in the center	–11.7	Central	41.9	41.9
Change in poverty in the south	0.12	South	25.7	25.7
Total intraregional component	–15.3			
Population shift (regional migration)	0.0			
Interaction component (residual)	–0.0			
<i>Urban-rural</i>		<i>By area of residence</i>		
Change in urban poverty	–3.6	Urban	29.0	32.0
Change in rural poverty	–11.6	Rural	71.0	68.0
Total intrasectoral component	15.2			
Population shift (urban- rural migration)	–0.22			
Interaction component (residual)	0.11			
<i>Aggregate sectors (by household head)</i>		<i>By sector of household head's employment</i>		
Change in agriculture poverty	–11.1	Head in agriculture	78.7	71.3
Change in industry poverty	–0.8	Head in industry	7.6	5.3
Change in services (private) poverty	–0.9	Head in services (private)	9.4	17.5
Change in services (public) poverty	–0.9	Head in services (public)	4.1	5.8

(continued)



**Table 2.2. (continued)**  
*percentage*

<i>Decomposition</i>	<i>Level and change</i>
Total intrasectoral component	-13.9
Population shift (sector shift)	-1.5
Interaction component (residual)	0.10

*Source:* Authors' calculations based on IAF 1997 and 2003 data.

*Note:* For consistency, the table uses the 2003 definitions of urban and rural areas. Individuals are assigned to the sector where the household head is employed. If the head is not employed, they are assigned to the sector of employment of the oldest adult. If nobody works (less than 5 percent of all cases), they are assigned to agriculture. Services (private) include trade, transport, and services. Services (public) include health, education, and public administration. North includes Cabo Delgado, Nampula, and Niassa; center includes Manica, Sofala, Tete, and Zambezia; and south includes Gaza, Inhambane, Maputo province, and Maputo city.

## Structural Changes in the Mozambican Economy

The economic shift from postwar recovery to sustained growth brought major changes in the structure of output and employment—and in labor supply and demand. These structural changes were as important as the overall macroeconomic aggregates in helping explain why growth was sustained and equitably distributed. Shifts in output, shifts in employment, and shifts in productivity combined to produce changes in poverty status by sector of activity (table 2.3).

The decline in agriculture as a share of GDP and the growth of other sectors was unambiguously pro-poor (figure 2.1). Poverty is a characteristic of the household, so to relate changes in the structure of output and employment to poverty, households are classified by the sector where the head of the household works. Because the poverty head count was higher in agriculture than in the other sectors in 1997, the growth pattern that opened opportunities for household heads to move out of agriculture and into other sectors was a key factor in reducing poverty.

Households working in agriculture increased their income. The reason incomes rose for households whose main earner worked in agriculture was that production increased even though the sector shed labor. The total labor force in agriculture fell, so that even with slower growth in output than other sectors, production per worker increased. This increase in labor productivity fueled the income growth for households whose main source of income comes from agriculture (and for households

**Table 2.3. GDP, Labor Force, Productivity, and Poverty by Sector, 1997 and 2003**  
*percentage*

	<i>Share of GDP</i>		<i>Annual average growth rate</i>
	<i>1997</i>	<i>2003</i>	<i>1997–2003</i>
GDP	100.0	100.0	9.0
Agriculture	34.4	27.3	5.4
Industry	16.0	26.9	17.4
Services (private)	40.9	37.2	7.5
Services (public)	8.7	8.6	8.8
	<i>Share of labor force</i>		<i>Annual average growth rate</i>
	<i>1997</i>	<i>2003</i>	<i>1997–2003</i>
Labor force	100.0	100.0	0.8
Agriculture	89.7	81.7	–0.8
Industry	3.4	3.1	–0.6
Services (private)	5.0	12.3	17.1
Services (public)	1.8	2.9	8.7
	<i>Average productivity<sup>a</sup></i>		<i>Annual average growth rate</i>
	<i>1997</i>	<i>2003</i>	<i>1997–2003</i>
All	4.0	6.5	8.4
Agriculture	1.5	2.1	5.6
Industry	18.2	54.1	19.9
Services (private)	31.6	20.2	–7.2
Services (public)	19.3	19.8	0.4
	<i>Poverty head count</i>		<i>Annual change in poverty rate</i>
	<i>1997</i>	<i>2003</i>	<i>1997–2003</i>
All	69.2	54.1	–4.0
Agriculture	72.6	58.2	–3.6
Industry	65.4	54.0	–3.1
Services (private)	54.6	44.4	–3.4
Services (public)	56.0	32.9	–8.5

**Sources:** World Bank staff estimates; authors' compilation from IAF 1997 and 2003 data.

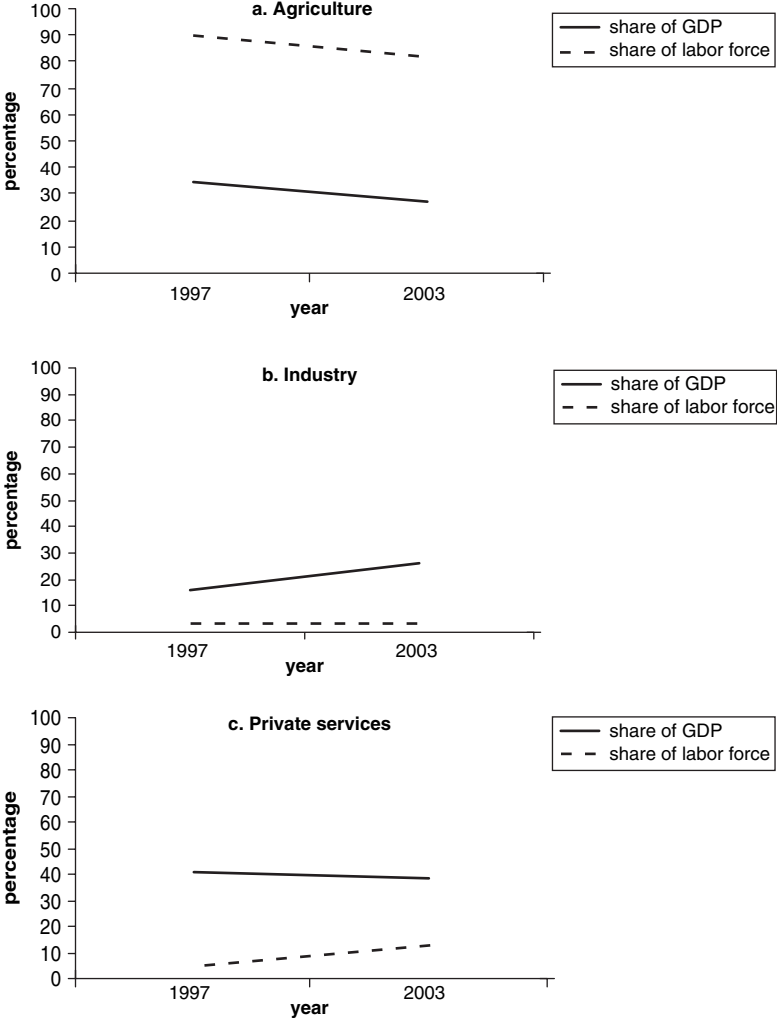
**Note:** Services (private) include trade, transport, and services. Services (public) include health, education, and public administration.

a. Average productivity equals sector GDP divided by sector employment.

that have only part of their income from this sector). Such growth was even strong enough to overcome the 25 percent fall in prices for agricultural products relative to other sectors.<sup>2</sup> As a result, consumption growth for rural households whose primary income came from agriculture was as high as for those in other sectors, and income growth in these households accounted for 11.6 percentage points of the total decline in poverty of 15.3 percentage points.

Service growth was also pro-poor, despite falling productivity. Primarily private sector services—such as retail trade, transport, food preparation,

**Figure 2.1. Agriculture's Share of Labor Force Remains above the Share of GDP, but That of Industry or Private Services Does Not**



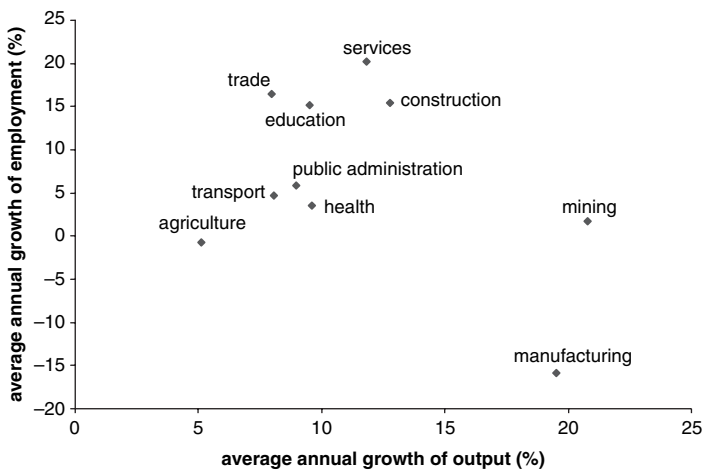
Sources: World Bank staff estimates; data from IAF 1997 and 2003.

finance, and telecommunications—saw their output grow slightly slower than the GDP. Employment in services more than doubled, however. Earnings growth was strong, despite falling productivity, because of the high income elasticity of demand for services—as incomes increase, people want to consume more services.<sup>3</sup> Even after the increased employment,

average earnings were higher in services than in agriculture, so this shift in the structure of employment was a positive force for poverty reduction. Public services also increased their share of the labor force, but their share remains small. Incomes grew rapidly in the public sector, however, so that even with a very small percentage of the labor force, the growth of income for households in this sector reduced poverty by nearly 23.1 percentage points (an average of 8.5 percent a year), bringing the poverty rate for households headed by a public sector employee down to only 33 percent.

The industrial sector showed strong output growth, but changes in the structure of output destroyed jobs. The closing or downsizing of parasitatal manufacturing enterprises led to significant layoffs (figure 2.2). New private investment in manufacturing was substantial, dominated by three megaprojects—the Mozal aluminum smelter and two energy sector projects. As a result, average productivity in the industrial sector grew overall. Although these projects contributed roughly 1.6 percent to GDP annually and boosted industrial production, they created little domestic employment.<sup>4</sup> The sector had some bright spots for poverty reduction, however. Construction—a labor-intensive sector—boomed, doubling its share of total employment to 2.0 percent. Businesses supplying the local market started up. The higher average productivity translated into

**Figure 2.2. Average Annual Growth Rates of Output and Employment, by Sector, 1997 and 2003**



Sources: World Bank staff estimates; data from IAF 1997 and 2003.

higher incomes for those employed in industry, increasing the demand for services. Overall, industrial growth supported poverty reduction.

Behind the rising average labor productivity, and thus labor incomes, was the withdrawal of subsections of the youth population from the labor force, primarily to be in school. Those 10–18 years of age entered the labor force at a much slower rate than older cohorts—and perhaps even left the labor force. Most of these workers or potential workers apparently stayed out of the labor force to go to school. The share of those 10 years of age and older who reported being in school as their primary activity increased from 17 percent to 22 percent. Many of them were girls no longer required to stay home and help with domestic tasks (see appendix table 2.10). The ability of households to support these dependents while in school is another indication of the strength of greater household welfare. This schooling produced major improvements in human capital and should contribute to stronger economic growth in the future. (It also increased employment in the education sector.)

Mirroring the changes in the economy and the increased years of school in rural areas, the labor force in rural areas grew very slowly, whereas the urban labor force grew rapidly. The good performance of the rural economy meant that it was not a source of widening inequality. The movement of households from rural to urban areas was low, and this migration played virtually no part in poverty reduction (see table 2.3). The entire increase in the urban labor force relative to rural was caused by the decision to keep children in school in rural areas.

In sum, changes in the structure of output created opportunities for labor mobility, which brought households new income-earning opportunities. Most sectors with strong growth in output had a strong growth in employment, such as construction, trade, and education (see figure 2.2). The main outlier is manufacturing, where the decline in labor intensity was not for the most part pro-poor. The industrial sector overall had the slowest rate of poverty reduction. In agriculture, where the majority of the population works, the decline in employment was pro-poor. By the end of the period, agriculture was only about a quarter of Mozambique's GDP, even though 80 percent of the labor force still works in this sector, highlighting the need for further changes in the structure of employment to continue pro-poor growth.

Putting the pieces together, several factors, both aggregate and sectoral, explain the highly positive effect of growth on poverty reduction. Strong output growth, fueled by a large increase in physical investment, translated into steady increases in household consumption. This increase was

distributed equally among households for two reasons: (a) initial inequality was moderate, and (b) the nature of growth—specifically the high growth in labor productivity in agriculture, which translated into increased consumption for these households, plus the movement of labor from agriculture into higher productivity sectors—kept equality roughly constant. Although the productivity increase was highest in manufacturing, job shedding was considerable, so the increase in productivity in this sector was not initially pro-poor. In agriculture, the job shedding and consequent increase in labor productivity was voluntary and strongly pro-poor. The complementary decline in average labor productivity in private services was also pro-poor because the average and marginal productivities in these sectors are still higher than in agriculture. The slow growth of the labor force, combined with investment-led output growth, increased overall labor productivity. This shift was probably a one-time, postconflict event. In the future, labor force growth is expected to return to over 2 percent a year, highlighting the need for even more investment and improvements in labor productivity to sustain pro-poor growth.

### **Behind the Growth Story: Changes in Household Livelihoods**

Aggregate growth and structural change affect households through changes in livelihoods. As conventionally defined, livelihoods comprise people, their capabilities, and their means of living, including food, income, and assets, where assets refer to both tangible assets (productive resources, household goods) and intangible assets (rights, claims, access to such resources) (Chambers and Conway 1991). The livelihood strategies that individuals and households adopt often reflect their opportunities and assets (natural, physical, financial, human, and social), and remuneration (monetary or otherwise) from these activities determines the economic changes in their household welfare. Poorer households, with a lower asset base, tend to have fewer livelihood options. Changes in livelihood strategies represent the response of households to the macro events analyzed earlier; and livelihood changes at the household level feed back into sectoral and aggregate economic performance. The causality is not one way, but the results are changes in household income, wealth, and poverty.

From an economic point of view, livelihoods can be described primarily by the structure of income sources. Economic livelihoods are the aggregate of economic activities regularly undertaken by household members during a period (the multiple activities undertaken by

members of the household during a day, week, month, or year). They are influenced by the characteristics of the individual, the other household members, and a host of other factors. Rigorous analysis of the effects of structural change on livelihoods is not possible with the data sources available (see boxes 2.1 and 2.2).

In this section, the following indicators are analyzed at two points in time:

- The aggregate labor force trends—to see how individual economic activities changed
- Changes in the main economic activity of the household and in the sources of household incomes—as a proxy for the livelihood pattern

#### **Box 2.1**

#### **Who Is in the Labor Force in Mozambique?**

Mozambique household surveys classify household members over six years of age as active, that is, in the labor force; or inactive, out of the labor force for a reason, including being a full-time student, ill, or disabled, or *domestico*,<sup>a</sup> meaning engaged in domestic household activity. Although the number of people claiming to be out of the labor force as *domestico* was only 2.5 percent in 2002 (down from 7.6 percent in 1997), whether these people should have been excluded from the labor force is questionable.

People should be classified as in the labor force if they undertake a productive activity for at least one hour over a seven-day period. Is this the case with *domesticos*? In the 2006 Poverty and Vulnerability Survey (PVS), an additional set of questions was included about whether the household member was active in household chores over the past seven days, including caring for household members, washing clothes, cleaning, growing food for the household, maintaining the home, collecting firewood, fetching water, and so on. In the survey, almost all those who classified themselves as “inactive” *domesticos* reported doing at least one of those activities.

Are these activities “economic,” and should they count as being in the labor force? Growing and preparing food is surely “economic,” and consumption of the production from these activities is included in the consumption aggregate. Therefore, anyone who undertakes these activities should be considered

*(continued)*

employed. In addition, some household chores, such as home maintenance, collecting firewood, and fetching water, have been defined by the United Nations as productive ones, to be included in the national accounts. Hence, anyone performing those activities is also in the labor force.

This assessment concluded that most, if not all, *domesticos* should have been classified as in the labor force. To avoid underestimating the labor force (as the official statistics certainly do), this assessment included all those listed as *domestico* as in the labor force, in the agricultural sector.

a. The masculine Portuguese noun form, *domestico*, is used here but comprises both male and female respondents.

## Box 2.2

### Analyzing Household Livelihood Dynamics

The idea of analyzing livelihoods at the household level—built from an agglomeration of individual events and decisions but taking into account the essentially communal nature of welfare—is attractive for poverty analysis because poverty is a household concept. Analyzing how livelihoods (the sum of economic activities of individuals) and household welfare levels (returns to the factors of production owned and used by the household) change in response to events endogenous and exogenous to the household is necessary for understanding the effect of actions of nature, the government, and household members on changes in welfare status of the household over time. Implementing this type of analysis with standard cross-sectional household survey data, such as the National Household Survey on Living Conditions (Inquérito aos Agregados Familiares, or IAF), however, is problematic for three reasons.

First, the cross-sectional national household data used here (IAF data for 1997 and 2003) provide snapshots of the economic activities of individuals in the household at two points in time but do not show changes in a given households' livelihood over the time from the first to the second period. From these data, determining how a household reacted to events is difficult because that same household cannot be identified in the later data set—its characteristics are not known. Panel data are needed ensure the same type of household is used at two points in time.

(continued)



Second, the national household survey does not contain data on secondary activities of members, so the whole household portfolio cannot be observed, only a subset. In particular, how livelihoods changed over the season is unknown—analysts have to assume that livelihoods remained the same. Also, analysts do not have information on the level of effort of individuals—how many hours each one works.

Third, earnings per individual activity are observed only for those in wage jobs. For those who do not receive wages, income could be observed, but even there the income of the enterprise, involving several members of the household, is often attributed to one member. Therefore, an approximation of individual earnings is needed to compare individuals.

Lacking these data, the analysis makes four assumptions:

- There are no multiple activities or part-time workers—everyone who is employed works full time in one activity. Using this assumption, analysts can compare individuals by economic activity.
- The household has one main economic activity, which is proxied by the main activity of the household head. Using this assumption, analysts can compare households by livelihood status.
- Total household earnings equal total household consumption.
- Everyone in the household earns the same return on his or her (equal) effort, so individual earnings are total household earnings divided by the number of labor force participants in the household.

This method basically assumes that a household has subsistence agriculture plus one main livelihood and that all economically active members participate in it. All members are paid the average product of this activity. This assumption is not too far off: 95 percent of households report household members working in two or fewer sectors, and almost all of the two-sector households have one member in agriculture. Eight percent of households report some food consumption in kind. Two percent of households report that all members have wage income, and the analysis could have calculated the earnings for each of those household members directly. To ensure comparability, however, the analysis treated households with only wage labor in the same way as the other households. This method of approximating earnings of individuals is being tested in this report.

- Changes in average earnings in the household
- Changes in the means of these variables across subgroups of households, especially for poor households

Through this analysis, the observed structural changes in Mozambique are related to major changes in economic behavior at the household level. Because of the major differences in livelihood patterns, this analysis considers urban areas, where about a quarter of the labor force lives and works and where the economy is not dominated by agriculture, separately from rural areas, where agriculture still dominates.

### ***Trends in the Labor Market***

The dominant labor force trend in urban areas during 1997–2003 was the growth of the nonagricultural private sector: wage employment and self-employment. National wage employment grew modestly, thanks to restructuring in the public sector, where wage employment fell by an average of 3 percent a year (tables 2.4 and 2.5, and figure 2.3). In urban areas, the increase in private wage employment more than made up for the loss, with 20 percent annual growth. By 2002, the share of the labor force employed in private sector wage jobs in urban areas was 18 percent, and private wage employment went from one-third to two-thirds of the total wage jobs in urban areas and up to 65 percent in the whole country.

Growth in nonagricultural self-employment and family business is the second-most-important labor force and livelihood trend in urban areas.<sup>5</sup> Self-employment is the most important economic activity in urban areas. While self-employment in agriculture declined and is now limited mostly to subsistence agriculture (with some degree of sale of surplus), family business in nonagricultural sectors mushroomed, employing 20 percent of the urban labor force.

Almost all nonagricultural family business employment and two-thirds of private wage employment are in private sector services. Most of the growth in employment in urban family businesses occurred in trade and retail and other small-scale services. This employment creation is clearly a response to increased demand for services in urban areas.<sup>6</sup> Only 5 percent of urban family businesses and self-employment are in manufacturing, mining, or other industry. Even wage employment growth is concentrated in the service sectors (such as telecommunications, transport, larger retail and wholesale operations, and financial services). Only one-third of total private urban wage employment was in the industrial

**Table 2.4. Type of Employment, by Area, 1997–2003**  
percentage

<i>Type of employment</i>	<i>Share of all workers</i>			<i>Rural</i>			<i>Urban</i>		
	<i>1997</i>	<i>2003</i>	<i>Growth rate</i>	<i>1997</i>	<i>2003</i>	<i>Growth rate</i>	<i>1997</i>	<i>2003</i>	<i>Growth rate</i>
Agriculture (all)	88.8	81.5	–0.6	94.8	93.1	–0.3	71.3	53.5	–1.9
Self-employed									
(nonagriculture)	3.8	8.1	14.3	2.0	3.6	10.6	9.0	19.0	16.5
Wage employment	7.3	7.5	1.2	3.2	2.5	–3.9	19.2	19.6	3.3
Private	2.5	3.7	7.8	1.1	1.1	0.6	6.4	9.9	10.8
Public	4.8	3.8	–3.2	2.1	1.3	–6.8	12.8	9.7	–1.7
Employers	0.1	2.9	66.1	0.0	0.9	65.0	0.4	7.9	66.6
All economically active	100.0	100.0	0.8	100.0	100.0	0.0	100.0	100.0	2.9

*Source:* Authors' compilations from IAF 1997 and 2003 data.

**Table 2.5. Distribution of the Labor Force by Sector, Type of Employment, and Area, 2003**  
percentage

	<i>Self-employed</i>		<i>Wage employment</i>		<i>Employer</i>
	<i>Agriculture</i>	<i>Nonagriculture</i>	<i>Private</i>	<i>Public</i>	
<i>Urban (29 percent of the labor force)</i>					
Agriculture	100.0	0	0	1.5	0
Industry	0	5.2	33.1	3.1	30.6
Services (private)	0	94.3	63.8	29.2	69.0
Services (public)	0	0.6	3.1	66.2	0.4
Total	100.0	100.0	100.0	100.0	100.0
<i>Rural (71 percent of the labor force)</i>					
Agriculture	100.0	0	0	4.9	0
Industry	0	15.8	49.5	4.4	42.4
Services (private)	0	80.5	48.0	13.7	57.6
Services (public)	0	3.7	2.5	77.0	0
Total	100.0	100.0	100.0	100.0	100.0

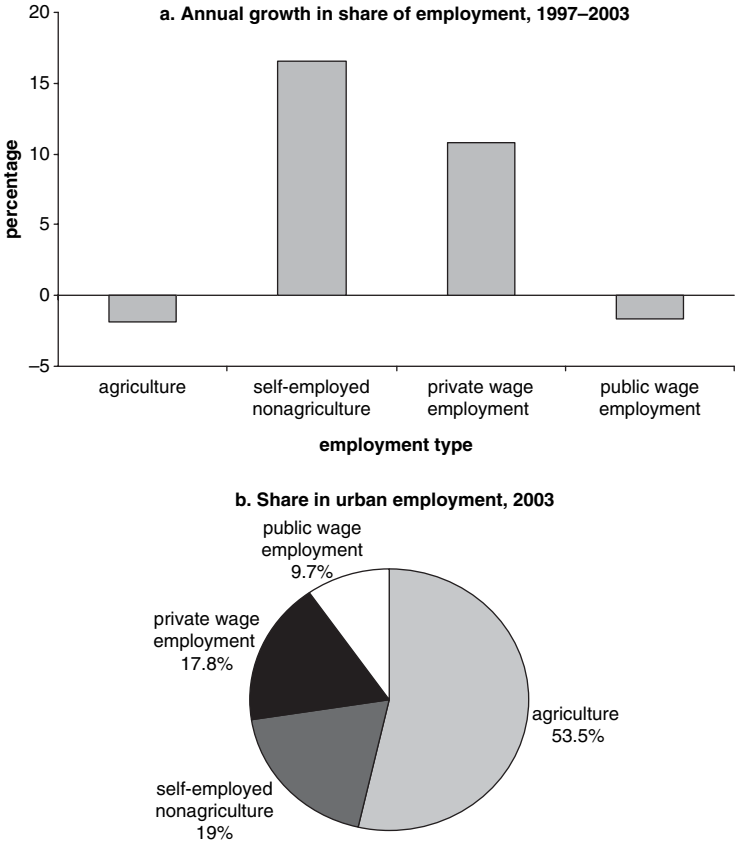
*Source:* Authors' compilations from IAF 2003 data.

*Note:* Services (private) include trade, transport, and services. Services (public) include health, education, and public administration.

sector by 2003, and this sector accounted for only 28 percent of net wage job creation between 1997 and 2003. Most of these new jobs were created by the construction sector.

The character of wage employment is heterogeneous. Wage employment as measured by the IAF can vary from employment in a large firm with a permanent contract, nearly complete job security, a regular salary, and all benefits provided for in the labor code to a job with no security and payment by the hour, day, or piece. The first type of employment is the norm for public sector workers, and enterprise surveys indicate that about half of workers in private manufacturing firms in urban areas have a similar arrangement (see Fox, DNEAP, and World Bank 2006). Other wage workers are on fixed-term contracts, where they have all these benefits except job security. Their contract lasts for a fixed period (up to four years) but can be terminated at any time with cause and with severance. About 10 percent of wage workers in 2002 were casual workers, who have no regular job or contract and who work only for cash or payment in kind (see appendix table 2.13). These workers are found mainly in transport, construction, and personal services (for example, domestic service).

**Figure 2.3. Employment in Urban Areas**



Source: Authors' compilations from IAF 1997 and 2003 data.

Anecdotal evidence suggests that for some labor force participants, employment in urban self-employment or family business is not voluntary. Often called informal, this sector is very heterogeneous in urban areas in Africa, operating both as a residual sector for people who seek wage employment but cannot procure it and as an opportunity for those for whom self-employment is a positive choice (see Fox and Gaal 2007; Ruffer and Knight 2007). Surveys in Latin America have shown that in some countries, up to half the self-employed or those working in a family business would not leave this activity for a wage job paying as much as they earn in their informal sector activity. Reasons for this preference

include flexibility of hours (especially important for women) and the intrinsic character of the job—independence and the like. Even so, the 2006 Poverty and Vulnerability Survey (PVS) of urban labor force participants (located in poorer neighborhoods and in the small and more remote urban areas) found people considered themselves “unemployed” even though they spend significant parts of their day engaging in economic activities. This finding suggests a preference for wage employment if obtainable (box 2.3).

### Box 2.3

#### Perceptions of Unemployment in Urban Communities

The problem of unemployment was frequently cited as a key cause of poverty, particularly in the urban communities visited as part of the 2006 PVS. Unemployment was important in one community where several state-owned agroprocessing plants recently closed (the municipality of Angoche, Nampula), but the fieldwork uncovered that most of the participants interviewed in other urban communities were farmers or self-employed in agricultural or nonagricultural activities and had never had a regular salaried job. Moreover, given that a significant percentage of the people who engage in nonwage economic activities interviewed as part of the PVS cannot easily be defined as poor (which corresponds with the results of the nationally representative surveys of 1997 and 2003), this emphasis on the link between unemployment and poverty may instead reflect a desire or an expectation on the part of respondents—even those with a regular economic activity in the self-employed service sector—to find formal or salaried employment (which would, in their minds, improve their well-being).

The term *unemployment* may also indicate the lack of reliable, stable, and regular livelihood options—a situation of high vulnerability. Further discussions with interviewees suggested that perhaps both interpretations may be correct. Indeed, as concluded in one community perceptions report prepared for the PVS:

The problem of employment (or unemployment) is not the principal question, because the people in this community work [in agriculture]. The central issue, instead, is to improve the profitability and productivity of the agricultural activities of these farmers to ensure that they get sufficient food and income from these activities to enable them to ... satisfy their social needs.

One reason the self-employment sector has grown in Mozambique is the low education of the labor force (see appendix table 2.20). Only 17 percent of urban wage workers (including casual workers) in 2002 had less than five years of education, but 55 percent in the informal sector did. One-third of wage workers in private wage jobs had completed five years of primary education, and another third reported full completion of primary education (seven years) or more. Even if the growth rate of urban private sector jobs were to double, few of those now self-employed or working in family firms would qualify for them. Moreover, the education requirement for new private sector wage jobs has been increasing steadily.

Labor force shifts were less dramatic in rural areas—in 2002, more than 90 percent of the labor force still reported agriculture as their primary activity.<sup>7</sup> As in urban areas, the important structural change was the move from primary employment in agriculture to the nonfarm sector. Meanwhile, nonagricultural wage employment as a primary income source remains limited in rural areas. Growth in private wage employment as a primary activity was strong, but from such a low base that the growth barely registers in terms of the overall labor force. Public sector jobs in rural areas also fell because the contraction in government jobs hit rural areas hardest when the cashew and other agroprocessing plants were shut down (box 2.4).

Self-employment in rural areas covers a diverse set of activities. As in urban areas, most self-employment and family business employment and private wage jobs were in the private service sectors, although self-employment in manufacturing, mining, and other industry as a share of total nonagricultural employment is larger in rural areas than in urban areas. Many nonagricultural businesses involved natural resources, such as collecting and selling wood, making charcoal, quarrying, hunting, and fishing. Other businesses were similar to those in urban areas: carpentry, sewing, tailoring, jewelry making, bicycle or other repair, brick making or other manufacturing, and selling food and other household items. Some rely on farm production, such as beer manufacturing, livestock sales, or grain milling. For most activities, the customer is another local household.

### ***Changes in Household Livelihood Patterns***

Household livelihoods became more diversified—which brought the potential for a reduction in vulnerability. In both rural and urban areas, households supplied less labor to the market and sent more youths to school—the average number of people over age 15 employed in the household fell from 2.6 to 2.3 in rural areas and from 2.5 to 2.2 in urban areas.

**Box 2.4****Local Employment Effects of Parastatal Downsizing in Angoche, Nampula**

Over the past decade, both the urban and rural areas of Angoche, Nampula, have suffered significantly from the closing of several state-owned agroprocessing plants. The municipality and district of Angoche were previously home to three cashew-processing factories and processing facilities for sisal, rice, shrimp, and other agricultural products. The area also benefited from a small industrial fishing port, which is now almost entirely closed down. Although only a minority of the labor force in the area was employed in these industries, most households interviewed for the PVS had a family member who worked for the enterprises; such employment provided an important and regular source of household income. With no alternative source of wage employment for those laid off, the communities in Angoche have been forced to rely on artisanal fishing and subsistence agriculture, as well as petty trading and other nonagricultural self-employment.

Although the closings of these plants may have only marginally affected the national labor force, the effects in Angoche have been widespread and significant—not only on those who lost their jobs but also indirectly on the local economy as a whole. The effects have also taken on a gender dimension, because many of those laid off were women. Anecdotal evidence from focus groups with women in Angoche suggests that women lost a lot of intrahousehold influence when they were laid off. Some were abandoned by their husbands and forced to turn to prostitution to make ends meet. Men also complained of abandonment: without employment or sources of regular income, they could not sustain their families and hence their marriages.

Yet the average number of sectors of activity found in the household increased (see appendix table 2.24). This result is striking because the data measure only primary economic activity, not all the economic activities of household members. Urban households show much more diversity, mainly because they usually retain agriculture as a subsistence activity, providing mostly income in kind, while adding one or two nonagricultural activities.

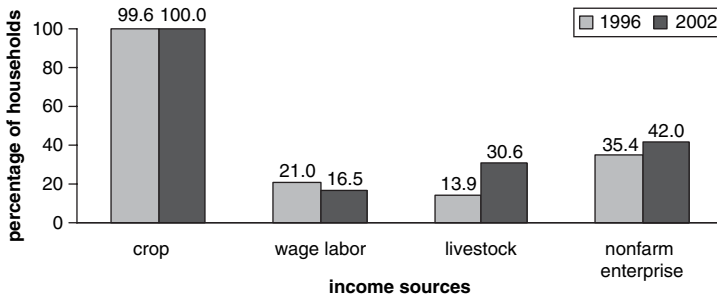
The number and sources of income also increased, and more households had at least some cash income. On average, one person in rural households and two people in urban households reported earning a cash



income, and few households depend on only one source of income.<sup>8</sup> The increase in cash income is an especially important change in purchasing power in the household because cash can be used to meet many more needs in the household (such as school fees, health expenses, and transportation) than income in kind. Almost all households in rural areas and the majority of households in urban areas produce food for their own consumption, but in urban areas, such production is only 12 percent of total income on average. Surprisingly, fewer than 60 percent of rural households report any income from selling agricultural crops, and on average it provides 14 percent of total household income. Half of urban households receive some employee income over the year, but only 20 percent of rural households report any sort of employee income.<sup>9</sup> Rural households are slightly more likely than urban ones to report more than two income sources. This finding may be caused by seasonality or the ability of rural households to combine farming with other types of income-earning activities.

More extensive data on rural incomes show the extent of income diversification. Data on incomes in the rural sector are more complete and show that although crop income (in cash or in kind) is received by all households and remained the single-most-important source for all income quintiles over 1997–2003, its importance fell. Households in all income groups increasingly relied on noncrop sources, such as livestock and nonfarm-enterprise income (figure 2.4). Although few rural households moved out of farming as the main source of income, 42 percent had some income from self-employment or family business, and 30 percent from sale of livestock.<sup>10</sup>

Perceptions data on livelihoods and poverty in 2006 confirm the importance of multiple income sources in poverty and vulnerability reduction. In urban areas, the PVS data from 2006 show that the key determinants of perceived improvement in household well-being were more people engaged in gainful work, higher salaries or returns on labor, and a good harvest. Thus, strong agricultural performance is still important in explaining the well-being of poorer households, particularly for female-headed households, even in urban areas. This gender difference may result from the tradition of women being in charge of food security in the household. In rural areas, richer households have benefited more from having a higher proportion of members with gainful work outside agriculture and with higher salaries, but this factor was much less significant than diversity of income sources (see appendix tables 2.16 and 2.17).

**Figure 2.4. More Rural Households Have Income from High-Value Sources**

Source: Authors' compilation from TIA data for 1996 and 2002.

In sum, the changes in the structure of the labor force have helped diversify national, regional, and local economies and the sources of household income. For most households, however, overall welfare still depends on agriculture.

### ***Earnings: Returns to Economic Activity of Household Members***

The effects on household welfare from shifts in the structure of employment and the composition of household livelihoods depend on the returns to these economic activities. For example, an increase in employment in a sector could decrease average wages. Likewise, an increase in wages could decrease employment. For people who do not receive wages, an approximation of their earnings is needed (see box 2.1).

The privatization and restructuring of the industrial sector increased the inequality of earnings from wage employment in the urban industrial sector. In urban areas, industrial sector earnings grew a bit faster than earnings in the privately provided service sector, and at about the same rate as in agriculture. If employer earnings had been included in the wage employee category, the index would have fallen substantially, indicating that new employers—most of whom are running small firms—are not doing as well as employees (who are mostly in big firms).<sup>11</sup> Slow earnings growth in the privately provided service sector is to be expected given the fall in average productivity. Somewhat surprisingly, inequality fell a bit, but economic activity in the privately provided service sector and the characteristics of those who undertake economic activities in it became more heterogeneous, so figuring out what was going on is difficult. Meanwhile, public sector wage earnings shot up faster than all other

sectors. As discussed below, this result is primarily because the level of education increased in this sector, not because wages are particularly out of line with the market.

Data on average earnings suggest that the perception of nonagricultural self-employment as a poor employment choice in urban areas compared with private wage employment is misguided. Despite the drop in average productivity, self-employment in the private sector—mostly the service sectors—is on average a well-paid livelihood. By 2003, average earnings in the family business sector were 8 percent higher than the average for private sector wage earners. In both sectors, earnings are less equally distributed than in agriculture, indicating a potentially higher level of risk (or at least more heterogeneity) for economic activities in private and family business. The ratio of inequality between sectors compared to inequality within sectors fell slightly, while that between types of employment increased. In any case, the main inequality is within employment groups.

In rural areas, full-time, nonagricultural wage employment or self-employment pays well relative to agriculture, and this difference increased for self-employment in family business and employment in the public sector. Nevertheless, the number of earners in these groups is still very low. Both for sector and for type of employment, the ratio of inequality between sectors (compared with that within) went up, but total inequality in earnings in rural areas is much lower than in urban areas. In both rural and urban areas, inequality is lowest among households whose primary activity is agriculture.

In addition to sector and type of employment, education plays a major role in earnings. The preceding data do not control for personal attributes that normally influence earnings, most notably education. For example, one reason average earnings are higher in the public sector is that education levels of its workforce are much higher (table 2.6). Higher inequality of education also helps explain why earnings are more unequal in urban areas. How important is education relative to sector of activity? In chapter 1, the role of the head of household's education in raising household consumption was analyzed, and education was found to be very important, especially in urban areas. Completing even five grades of primary school increased welfare an average of 25 percent, and completing secondary school increased welfare an average of 70 percent over a household headed by a man with no education (see appendix table 2.28). The analysis of the determinants of consumption also showed that even controlling for education, location, and demographics, differences

**Table 2.6. Highest Level of Education Completed, by Type of Employment, 1997 and 2003**  
percentage

Level of education	Type of employment							
	Agriculture		Self-employment		Wage (private)		Wage (public)	
	1997	2003	1997	2003	1997	2003	1997	2003
None, alphabetization	85.7	86.5	51.3	55.4	36.1	37.4	31.9	10.9
EP1	10.8	10.4	33.5	27.3	38.5	31.8	25.6	18.2
EP2	3.0	2.5	12.7	13.7	17.6	18.7	21.7	24.4
ES1	0.3	0.4	1.8	2.5	4.1	5.5	11.0	23.9
ES2	0.1	0.1	0.4	0.8	2.1	4.0	4.7	14.6
Technical school	0.1	0.1	0.3	0.3	1.6	2.0	4.3	6.4
Postsecondary school	0.0	0.0	0.0	0.0	0.0	0.6	0.8	1.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Authors' compilations from IAF 1997 and 2003 data.

Note: Education refers to highest level of education completed. EP1 = primary grades 1–5; EP2 = primary grades 6–7; ES1 = secondary grades 8–10; ES2 = secondary grades 11–12.

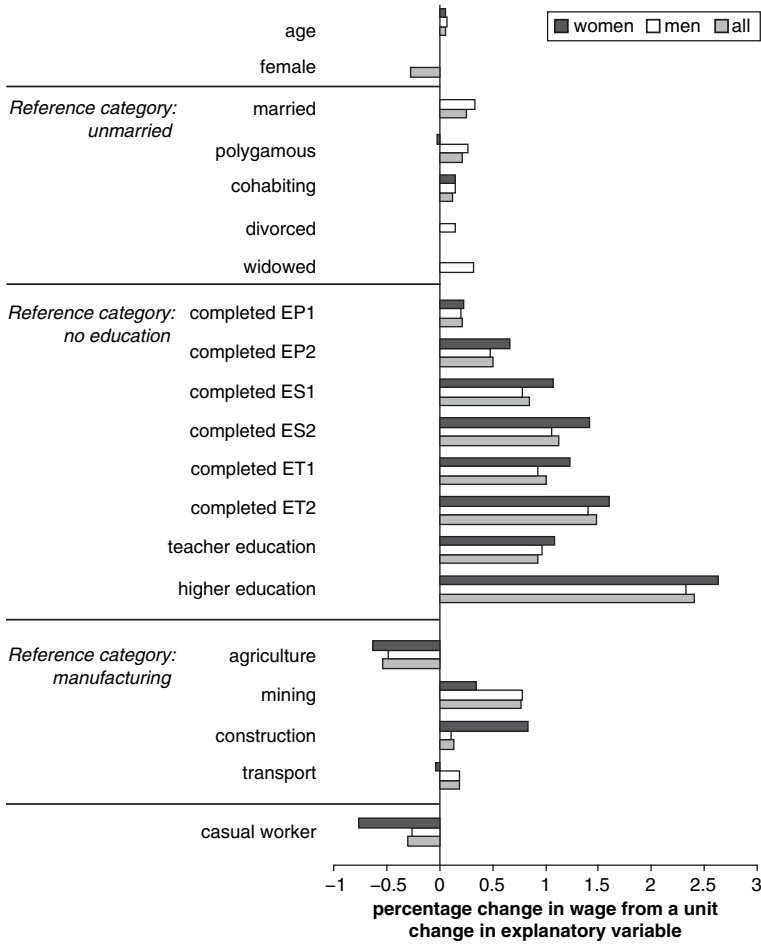
in household welfare according to the sector of activity of the head remained and that the public services sector was well remunerated.

For wage workers, education and experience are the most important factors in determining earnings. Regression analysis using 2003 data shows that structure of returns to education is linear and convex at higher levels of education. The fact that the last years of education are worth more than the first (the opposite of what is found in middle- and high-income countries) indicates major skills shortages at this level of education (figure 2.5).<sup>12</sup> Few women report wage earnings, but those who do earn even higher returns to education than men until postsecondary education. Because very few women in the survey have either technical or postsecondary education (except teachers), not surprisingly, any differences are not significant.

Experience on the job is also important—each year of experience (measured by age) adds about 6 percent to wages. The observed returns to experience may actually represent the gains in productivity from learning on the job or they may represent something else about the workers that is not measured—in other words, a cohort (or selectivity) effect. This effect likely results from the high cost of education a decade or more ago and the few education opportunities available at that time, which limited those who were able to get an education and a wage job 10–20 years before 2003 to a few talented individuals; hence, these talents are partly what the experience variable is measuring. With the expansion of education, both the pure returns to education and the cohort effect should decline, as they have in other countries (see Fox and Gaal 2007 for examples).

After accounting for education and experience, public sector employees do not earn more than others, but married men do earn a wage premium. Wage jobs in both the primarily public service sectors and the primarily private ones pay about as well as other nonagricultural wage jobs. Agricultural wage labor jobs suffer from a very negative sectoral effect, and casual (intermittent) wage work pays poorly regardless of sector or education. This type of employment is only 14 percent of all wage employment. Married men of any type (even widowers) get a wage premium. Because the data set has very few single men, the meaning of this effect is unclear, but it does account for most of the difference in wages between men and women. Although education as a sector does not pay less than other sectors, the returns to teacher training are lower for women than those for any other type of secondary education and are lower for men than those for technical education. Possibly, education salaries are biased downward, but this hypothesis requires further study.

**Figure 2.5. Education Is the Most Important Determinant of Wages, 2003**



Source: Appendix table 2.22.

Note: Regression results. Bars indicate the percentage change in wages associated with a one-unit change in the explanatory variable. Coefficients insignificant at the 95 percent level have been set to 0. Categories not displayed in the graph because they were not significant are trade, services, education, health, and public administration. EPI = primary grades 1–5; EP2 = primary grades 6–7; ES1 = secondary grades 8–10; ES2 = secondary grades 11–12; ET1 = technical education 1; ET2 = technical education 2.

**Labor Market, Livelihood Changes, Earnings, and the Poor**

How have the livelihood shifts analyzed above affected the poorest segments of the economy? Thus far, the analysis has focused on the whole labor force and on the average household. Given Mozambique’s fairly equal income distribution and the high level of poverty in 1997—nearly

70 percent of the population—the average effect could closely approximate the effect on the average poor person. But it might not. In this section, the household response to macroeconomic and structural changes is disaggregated by quintile for a closer examination of the relationship between changing livelihoods of households in Mozambique and poverty reduction. This section also looks at changes in inequality within and between livelihood types, which indicates the riskiness of livelihood choices. In this analysis, the bottom quintile is considered the very poor, the second quintile the poor, the third and fourth quintiles the middle-income group, and the fifth quintile the high-income group.

In number and type of income source, the main difference is between the bottom four quintiles and the top 20 percent. The lack of differentiation by income group in a number of sectors and types of income in the household may reflect the weakness of the data. Only the upper income group shows a clear trend in the number of income sources (more likely to have more than one) and the type of income (more likely to have wage income and self-employment income, and less likely to have income in kind). All welfare classes have someone in agriculture, and some 40–50 percent of households in every income group also earn income selling agricultural goods, reflecting the fundamentally agrarian and rural nature of Mozambique's economy. Those whose primary activity is wage employment, however, especially those in the public sector, are much more likely to be found in the wealthiest quintile. The wealthiest quintile is also more likely to have household members engaged in self-employment. The fourth-richest quintile is the one most likely to earn income by selling agricultural products; this quintile seems to be the one where the more successful rural farmers are located. In terms of shifts between years, only for public sector wage workers is there a big shift in the quintile where they live, which probably reflects the major salary increase that pushed their households into the highest quintile (see appendix table 2.26).

Once again, more detailed rural income data provide a clearer picture of the nature of rural poverty; income diversity increases with total income, suggesting higher vulnerability among the poorest households. In rural areas, all income groups except the highest one rely on crop income (including income in kind) as the main income source. High-income households have increased their reliance on wage labor (both on and off farm) and earn about a quarter of their income from nonfarm enterprises. The probability of a household engaging in wage labor as the main source of income increases with income. All income groups have

increased participation in the nonfarm enterprise sector, but success is correlated with higher income. Whether increased nonfarm income moved households out of poverty over 1997–2003 or whether higher-income households were able to build larger and more successful businesses is unclear. Livestock is still an unimportant income source in rural Mozambique (see appendix table 3.24).

Wage labor income and nonfarm income are associated with higher overall income as well as with education, infrastructure, market access, and gender of the household head. Households living in villages with more infrastructure, such as electricity and paved or all-weather roads near the village, are much more likely to have a nonfarm business generating wage labor income. Households with younger heads and male heads and members of those households with education are more likely to find a wage job or work at a nonfarm business. Households with more members or more land and those living in a village with more infrastructure are also more likely to be successful at a nonfarm business.

One reason agricultural earnings remain low is the declining price of agricultural goods relative to nonagricultural goods. Evidence from the 2006 PVS suggests that price risk in agriculture and declining internal terms of trade played stronger roles in reducing living standards than the national household survey data indicate.<sup>13</sup> Urban households cite increased costs of living and loss of employment or gainful work as key reasons for reduced living standards—with poor harvests coming in a distant third. The result varies, however, particularly by wealth group.

Increased costs of living (deteriorating internal terms of trade) seem to have disproportionately affected the poor. More than half the poorest households claim it as the main reason for their worsening well-being over the past five years. In rural areas, the main reasons for worsened standards of living were the same as in urban areas, but in a somewhat different order. Increased costs of living were the main reason, followed by poor harvests and loss of gainful work. More than 60 percent of the poorest households consider the increased cost of living as the main reason for their loss of welfare—twice as many as the richest households. Poor harvests are also important for the poorest, and the loss of gainful work (especially in female-headed households) was also cited often.

For a riskier activity, the possibility of a higher income has to be balanced with the possibility of a very low income, or even a negative one, a disastrous result for a household. Although agriculture has the lowest average earnings, how does the probability of earning a higher income in another sector compare with the probability of earning a secure income



in subsistence agriculture? Perceptions data have confirmed the risk to rural livelihoods of a bad agricultural season (weather, prices, or otherwise). What about the risk to a household of deploying resources out of agriculture? How is this risk evaluated? If the probability of income from a nonagricultural activity is lower than the average income in agriculture, a household may decide not to undertake the activity because the downside risk is too high. One way of comparing the risk of activities is to compare the variance in the results. For earnings that do not have a normal distribution, risk can be compared by examining the inequality in earnings.<sup>14</sup>

Inequality in earnings has risen, and economic activities more remunerative than agriculture show a much higher difference in earnings, suggesting that diversification into these activities is not always a successful livelihood strategy. Although inequality of income among households did not rise over 1997–2003, inequality of earnings—as measured by the variance in results—went up substantially, as did the inequality of earnings within certain types of economic activity. In 2003, average earnings from self-employment were still 50 percent higher than agricultural earnings, and the inequality of income more than doubled, to twice that of incomes from agriculture. Nonagricultural wage inequality also increased, suggesting that it may not be good for an already poor household. Even though agriculture has lower average earnings, it does not have as much earnings variability within a given year.

Higher-income rural households are more likely to engage in higher-value nonfarm activities. In general, higher-income rural households are more likely to have enterprises that require some capital, such as manufacturing enterprises, while lower-income households that have a nonfarm activity are usually engaged in a very labor-intensive activity, such as collecting firewood for sale. Likewise, only higher-income rural households tend to have wage income from nonfarm sources.

The evidence on whether income diversification within the household reduces poverty is less clear. A higher proportion of households relied primarily on wage labor as the main source of income, and those households usually were not poor. As noted, it is impossible to know whether a household has a high income because it has a household business or whether it has a household business because it has a high income. The data here support both propositions. Because self-employment is risky, only a middle-income household may be able to enter this market: a household may need more land, assets, or capital, as well as more labor force participants in other sectors, to cover the risk of starting a business.

Nevertheless, having a business is associated with higher earnings, so starting a business may increase incomes, all other things being equal.

One way to analyze this question is to compare the relationship between being poor and having both an agricultural income and a nonagricultural income with having two agricultural incomes or two nonagricultural incomes in households with a head and a spouse. Although the relationship is not entirely clear, in a majority of households, income diversification between the head and the spouse is not correlated with lower poverty rates. In fact, the opposite appears to be true. Where the head is in agriculture, the poverty rate is higher if the spouse is in nonagriculture (see appendix table 2.28). Where the head is in a nonagricultural sector, poverty is lower overall, but poverty is lowest when both the head and the spouse are in nonagricultural activities.<sup>15</sup>

Although income diversification may not reduce poverty, qualitative findings from the PVS suggest that households consciously diversify livelihood to cope with the dynamic and seasonal nature of poverty in Mozambique. Many of the complementary activities adopted by the surveyed households take on additional importance during seasonal (primarily agricultural) scarcity and stress. Indeed, most households aim to diversify their livelihoods and income sources as far as their assets and resources allow to better weather the crises and seasonal changes that define the everyday lives of poor Mozambicans. In a few cases, such as when primary activities have collapsed or disappeared, complementary strategies may take on a more primary role.<sup>16</sup> The poorer segments of the population, however, often have fewer livelihood strategies and opportunities to diversify because they have fewer assets and capabilities to draw on.

In sum, all data on the relationship between shifts in the structure of the economy and employment, and changes in household livelihoods and monetary welfare point to a virtuous relationship between macroeconomic adjustment, development and diversification of the structure of the economy, changes in patterns of employment, and changes at the household level in labor supply and livelihood structures, because all of these have contributed to poverty reduction in Mozambique. As Mozambique's economy moved from postwar stabilization into recovery and growth, the country pursued a stabilization and growth strategy with high levels of private and public investment in physical capital and declining but high levels of foreign aid for social services and infrastructure. The expansion in the economy was broad based, with much higher growth in the nonagricultural sectors. Even though the initial livelihoods

of the poor and the middle class were in agriculture, the growth pattern benefited most of the population because the expanding sectors have higher average productivity and earnings, are highly labor intensive, and have a high income elasticity of demand. Thus, both an expansion in employment and a growth in earnings were possible in these sectors. One reason these two trends are positively correlated is that the labor force was expanding slowly. Households reduced overall labor supply mostly by keeping children and youth, especially girls, in school longer. This decision did not seem to produce a drop in income, although without panel data, checking this outcome is difficult. This development does suggest that the marginal product of agricultural labor overall in Mozambique was very low in 1997. Although average productivity has improved, the productivity gap remains a threat to sustained pro-poor growth in the future.

### **Gender Dimensions of Pro-Poor Growth in Mozambique**

A growing body of microeconomic evidence supports the importance of considering gender issues in economic policy making, not least for macroeconomic policy. This section explores the gender dimension of Mozambique's pro-poor growth at the aggregate, sectoral, and household levels. To what extent did women contribute to economic growth? Did their contribution differ from men's and, if so, why? Conversely, were the benefits of growth gender-neutral? This section also looks at the effect of growth on gender equality and the constraints to economic growth posed by gender inequality in Mozambique. Finally, it identifies gender-related policies that will help sustain Mozambique's pro-poor growth.

#### ***The Contribution of Female Education to Growth***

Mozambique's economic growth was held back by low female education levels. Although less central as a driver of growth than the increase in physical capital, a growth-accounting exercise shows that increased education in the workforce accounted for 28 percent of GDP growth between 1999 and 2004 (see appendix table 2.29). Disaggregating this contribution by gender shows that the increase of educated women in the labor force explains 11 percent of the GDP growth, compared to 17 percent attributed to the increased supply of educated men. This result suggests that if women had been attending school at the rate of men and subsequently entered the labor force, growth could have been higher over the period.

The education level of the active labor force has increased since 1980, particularly after 1995, and the gender gap is slowly closing (see appendix table 2.30). The share of educated workers in total employment increased at all levels for both women and men, but no group grew faster in the labor force than women with primary schooling: over five times since 1980 compared with three times for men. Although the trend is positive, the level is still very low: in 2003, 86 percent of women in the labor force reported that they had not attended school or completed five years of formal education, compared with 68 percent of men. Because of significant investments in education made over the past decade, women's contribution to the education level of the active workforce is set to gradually increase as the larger cohorts enrolled from the mid-1990s graduate from the schooling system and enter the labor market. Not only can an aggregate macroeconomic effect be expected, but a poverty reduction effect is expected as well. The following results for sectoral and microlevel analysis highlight the importance of women's increased education and skills endowment for pro-poor growth.

An increase in girls' enrollment was largely responsible for Mozambique's aggregate primary enrollment increase between 1997 and 2003. In the younger age groups, girls' enrollment has caught up with boys': in fact, boys constituted the majority of the 6 percent of Mozambique's 7- to 10-year-olds not attending school in 2003. The trend was particularly accentuated among 11- to 15-year-olds, where the share of girls enrolled increased from 34 percent to 39 percent and the share of boys attending school shrank slightly. This finding likely reflects the lagged effect of an increase in enrollment, particularly of girls, in primary school at the end of the war in the mid-1990s, having progressed upward in the system.

### ***Gender-Disaggregated Trends in the Labor Market***

Men have dominated the movement of adults out of agriculture into wage and self-employment in nonagricultural sectors, and as a result, the agricultural labor force is increasingly made up of women. Between 1997 and 2003, employment in agriculture shrank as a share of the economically active labor force from 90 percent to 82 percent. Two key movements were behind the shedding of labor in agriculture. First, boys and girls delayed entry into the workforce to attend school; because most of them would have worked in agriculture, the labor force fell. The second is that men moved out of agriculture to pursue higher-earning activities in other sectors. An estimated 11 percent of men in agriculture left to

work in other sectors (see appendix table 2.31). About half this movement took place in urban areas. As a result, by 2003 the share of economically active men employed in agriculture had fallen to 32 percent whereas the number of women engaged in agriculture remained close to constant. Consequently, women working in agriculture made up a full half of Mozambique's economically active population in 2003 and nearly two-thirds of the agricultural labor force.<sup>17</sup>

Accordingly, most of the diversification in household income sources accrued to men. Where did the men who left agriculture go? Countrywide agricultural and household surveys show households diversifying income sources, with male household members assuming new income-generating activities, mainly in the private sector. Estimates based on household surveys show some 283,000 additional men taking up wage employment between 1997 and 2003, primarily in transport, trade, and services, but also in construction. In addition, men accounted for most of the increase in those self-employed in nonagricultural sectors. Because women's labor in Mozambique was less mobile, women's main income source is still agriculture. The increased overall mobility has been positive for the economy and for rural household welfare, contributing to poverty reduction. The strong gender bias has implications for gender equity within and outside the household. What determined this gender difference in labor mobility?

Evidence suggests that higher skill levels have enabled the labor mobility of men. The substitution of nonagricultural for agricultural labor is imperfect in Mozambique: agricultural labor consists mainly of smallholder farmers in rural areas, with skill levels often much lower than those needed to move (Naaera-Nicholajsen 1998). Nevertheless, the substitution elasticity is not zero: men with even a few years of education have managed to move into off-farm employment. Working women, however, especially those in rural areas, have education levels much lower than those of men. Among the rural workforce, the ratio of men with primary education in the workforce remained more than double that of women. Change is slow: educated men's entry into the labor force continues to outpace women's every year (see appendix table 2.29).

In urban areas, more than 40 percent of households have both the head and the spouse out of agriculture. Evidence suggests that when household heads leave agriculture, spouses sometimes follow. When the main employment of the household head—most often a man—is in agriculture, 98 percent of spouses also work in agriculture (see appendix table 2.32). Households with the head employed in trade, services, education, and health are more likely to have spouses also in nonagricultural

sectors. Overall, however, spouses are most likely to be in the agricultural sector, even in urban areas and even with household heads in nonagricultural employment.

### ***Livelihood Trends***

Female heads of household in rural areas are particularly constrained. Female-headed households have not been able to diversify their income portfolios as quickly as their male counterparts. Between 1997 and 2003, diversification into nonfarm businesses has increased significantly (from 37 to 46 percent for male-headed households and from 24 to 29 percent for female-headed households), but male-headed households were more successful in making nonfarm enterprises their major source of income, increasing from 13 to 17 percent. Among female-headed households, the proportion whose main source of income is nonfarm remained unchanged at 11 percent over the period, but the share of nonfarm microenterprise income in total income increased from 14 to 18 percent among female-headed households (see appendix tables 2.31 and 2.32). Wage income is a higher share of total income for male-headed than for female-headed households.

The sources of rural and urban household income differ significantly, with women in rural households reporting very little cash earnings at all. Home production and the sale of products are the two largest income earners in rural areas; urban households earn incomes primarily from employment and self-employment.<sup>18</sup> Women in urban areas report earning 13 percent of the total urban income through employment, self-employment, and selling products, compared with 65 percent for men.<sup>19</sup> In rural areas, the gender difference is even more pronounced, with women's reported earnings making up a mere 4 percent of rural incomes, compared with 38 percent for men. By far, the largest part of rural household income is in the form of joint household home production, which includes subsistence agriculture.

Women consistently report cash earnings a fraction the size of men's. Women's and men's occupational status is comparatively similar in Mozambique; in 2003, working women made up 37 percent of the population and working men 32 percent. Yet women report earnings (including those in kind) a fraction the size of men's: 24 percent of 2003 earnings were reported as men's employment income, compared with 3 percent for women (see appendix table 2.35). Men's income from selling products was 14 percent, compared with a mere 2 percent for women. This pattern exists at all income levels, with no great variation across quintiles.

Although the findings are consistent with expectations, a male bias in reporting cannot be rejected because limited scope exists in the survey to report joint earnings for activities such as sale of products, a major category in Mozambique. A large share of the earnings from a family business, particularly in rural areas, may simply be reported as earned by the head of the household (by default or by cultural preference). Attributing income to men to the extent and with the consistency described suggests, however, that women are not in control of the income—that growth did not benefit women equally. Several studies show negative secondary effects on household welfare, nutritional status of household members, and investment in household members' education and health when women do not control household income, so this trend may have medium-term growth effects (see, for instance, Kennedy and Peters 1992; Khandker 1998; Thomas 1990). Moreover, it often harms women's bargaining power, with possible consequences for their mobility into other sectors.

Being a woman in wage employment carries a significant labor market penalty. For the 10 percent of the labor force in Mozambique earning a salary, wage-regression analysis shows signs of sex discrimination, with women earning 28 percent less income than men, even when controlling for differences in education levels, marital status, and sector of activity. Significant wage differences were found to stem mainly from marriage status, sector of activity, and contract variables. Whereas married men realize a premium in the labor market, married women do not. Working as a casual laborer rather than on a regular contract appears particularly disadvantageous for women, who face an additional negative factor of 76 percent when paid hourly or daily on a casual contract.

Do gender patterns in household production in Mozambique matter? First, gender roles in household production exist in Mozambique. Activities of men and women in agriculture vary somewhat by region, but a stylized story would describe men as clearing land, tending livestock, and being more involved in producing cash crops than food crops and women as being responsible for household food security and performing almost all household chores, including providing firewood, water, and food; producing food crops; and producing a substantial part of cash crops (box 2.5).<sup>20</sup> Second, women in rural areas usually work long hours—estimates from other countries find 14–16 hours a day (World Bank 1997). This finding implies that labor-saving technologies or infrastructure that reduces women's workload should reduce poverty and

increase welfare, because it would allow women to be productive in both economic activities and unpaid household work.

### ***Gender Equity and Poverty***

Improving the productivity of women in agriculture would boost economic growth and reduce poverty. Using an economywide model, a 2005 study examines the links between the increasingly open economy in Mozambique, product prices, and male and female earnings in the agricultural sector (Arndt, Robinson, and Tarp 2005; Arndt and Tarp 2000). Including gender aspects in a computable general equilibrium model and linking it to a microsimulation model of households, the study analyzes poverty implications of different policy scenarios. It finds that opening the economy to trade has important growth effects.

#### **Box 2.5**

### **Who Does What in Mozambique?**

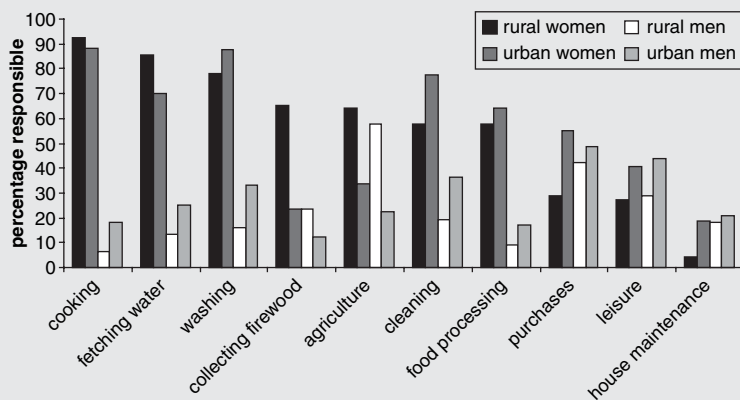
Women in Mozambique are in charge of fetching water, cleaning, cooking meals, processing food, collecting firewood, and caring for children and the elderly. The PVS for this report in four provinces in Mozambique questioned 1,491 heads of household about how households' labor resources (people older than seven years of age) are allocated. Results show that gender is the strongest determinant for household division of labor, echoing similar surveys from other countries in Sub-Saharan Africa.

The survey finds that women are almost exclusively charged with providing the household's water, cooking meals, cleaning, processing food, providing energy (firewood collection), and caring for elderly household members and children. For instance, in rural areas, households reported that 86 percent of women had collected water in the week before the survey, compared with 14 percent of men; 65 percent of women were reported to collect firewood, compared with 23 percent of men. Women are also engaging more than men in agriculture, judging by the survey, although the difference is not as pronounced. Men are slightly more likely to work on house maintenance (7 percent more than women) and to tend farm animals (5 percent). The variation between rural and urban households and between households' income levels is, in comparison to gender, very small (see the accompanying figure).

*(continued)*



### Household Division of Labor, 2006



*Source:* Authors' calculations based on data from PVS 2006.

*Note:* They survey measured activities during the seven days before the survey. Sample is not representative.

Although the survey is approximate, using a seven-day recall and measuring neither the frequency nor the time burden of tasks, the results are strikingly uniform, which suggests that women are undertaking much of the basic low-productivity work in households that is essential for the survival of family members and for households' ability to supply labor. It also suggests that labor-saving investments in relatively basic infrastructure, such as water, sanitation, and energy, can help free labor resources greatly.

Only a handful of nationally representative time-use studies exist for countries in Sub-Saharan Africa, and none of them are for Mozambique.

Macroeconomic, sectoral, and livelihood trends indicate that an increase in productivity in agriculture—especially in the work done by women—is essential for poverty reduction. Labor will continue to move out of agriculture: this mobility has been beneficial for both growth and poverty reduction, and policy measures should seek to bolster it. Women appear to face more binding mobility constraints, however, because they have not accessed these sources of income. Policy measures need to focus specifically on increasing the income-earning potential of women in

**Box 2.6****When Women Select Them, Community Infrastructure Investments Raise the Productivity of Women**

Villagers in Indonesia received grants through the World Bank–supported Kecamatan Development Project (KDP) for small-scale infrastructure investments selected by the community. The KDP developed several rules and processes to ensure that women’s voices would be heard when selecting village projects. As a result, village investments substantially raised rural women’s economic productivity by reducing the time women spent on traditionally female tasks, such as water collection, and by helping them get to their fields faster.

In one village, a gravel road was built to the local rice paddies. The road created access for motorcycle taxis, making the transport of rice easier and reducing the time women spent traveling to and from the paddies. In a nearby village, a three-kilometer-long water pipe was built through a dense forest and up the steep sides of a volcano to pipe water directly into the village, reducing the time women spent collecting water. Other investments included community washing areas near the river, including concrete sinks and poles for clotheslines.

Over the course of three KDP projects, women’s status has progressively improved. Whereas previously, women’s roles were confined to the household, the KDP has promoted women’s participation in community decision making and used women facilitators in council meetings. It also initiated a special planning stream for women’s groups, a competitive reward for promoting women’s participation, and a program for women engineers. Women submitted 6,170 proposals (or 55 percent) of the 11,275 proposals funded across 23 provinces.

agriculture. These measures should save labor in the nonagricultural tasks traditionally done by women (box 2.6).

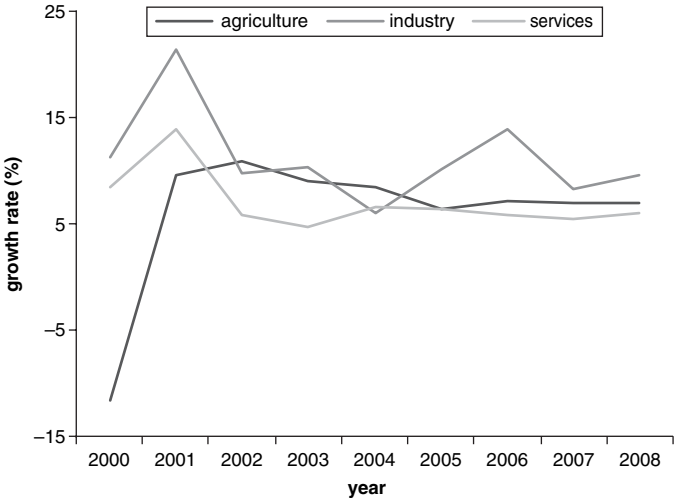
**Can Mozambique Beat the Odds? The Prospects for Pro-Poor Growth**

Because of good fundamentals, Mozambique’s growth episode is already one of the longest on record in low-income countries. Since the last household survey, Mozambique’s economy has continued its vigorous, broad-based growth. GDP has grown at about 7 percent a year since 2003

(5 percent per capita), showing no signs of slowing down. Private consumption growth continues at about 3–4 percent per capita per year, slightly higher than over 1997–2003 (see appendix table 2.36). Agricultural growth has been strong, which should support continued improvements in welfare in rural areas (figure 2.6). Government spending, especially on service delivery, is increasing as a share of GDP, thanks to high levels of donor support. Research shows that growth cycles usually run out after about seven years in low-income, non-oil-producing countries. When growth starts after a crisis, it is based at least partly on rehabilitation. When this source of growth is exhausted, growth tends to sputter out or inequality increases—or both—halting the poverty reduction effect. Through good policies that provided political and economic stability, Mozambique has already beaten the odds on sustained economic growth.

Mozambique has many natural assets that can support and sustain the high growth rates needed for poverty reduction. In addition to a surplus of fertile land suitable for rain-fed agriculture, the long coastline includes several underdeveloped coastal tourism areas. The central provinces have coal deposits, and this area is expected to undergo rapid development as a large new coal mine plus rail link comes online with private financing.

**Figure 2.6. All Sectors Are Still Growing Rapidly in Mozambique, 2000–08**



Source: World Bank staff estimates using national accounts data.

Electricity is low cost thanks to hydroelectric development. The construction of a new bridge over the Zambezi River is expected to reduce north-south transportation costs dramatically. As a transport corridor for neighboring landlocked countries, the east-west transportation links could be an important economic asset if the Zimbabwean economy recovers. The northern province of Nampula contains Nacala, one of the deepest natural ports in the world. All these advantages require substantial public and private investments to develop, however, and improvements in public management to maintain. Mozambique's lack of mineral resources may be a blessing, because the country has avoided the "curse" of an economy dependent on that source of growth.

Whether Mozambique is continuing to beat the odds on shared growth is unclear. Data are not yet available to analyze the effect on poverty of this growth. An integrated survey, capable of measuring household welfare, has not been undertaken, and a new one is not scheduled until 2009; data will be available in late 2010. Thus, evidence is sketchy about the poverty reduction performance since 2003. Government data show continued increases in access to services, and rural income survey data show that average household income has increased. Using extrapolations from a few indicators, the Ministry of Planning predicts a continued fall in poverty. Other indicators point to a slowdown in poverty reduction, however. Rural household surveys show that income inequality seems to be growing, and already high urban inequality persists, so the same high growth has less of a poverty-reducing effect. What are the prospects for continuing shared growth, and what is required to achieve it? This section draws on the previous analysis to consider the prospects for Mozambique to continue on a growth path that is equitable and reduces poverty.

Mozambique's drivers of growth are changing: education is becoming more important. The role of aggregate factors (land, and physical and human capital) in Mozambique's growth path has been changing since 2003. A new growth accounting model shows a 25 percent greater contribution of human capital during 1997–2003, implying an important role for more highly educated new labor entrants in future growth (Jones 2007). Although this structural change will put more pressure on an education system still struggling to meet basic access issues, it may also mean that Mozambique is capable of using physical capital more efficiently—a development that could be consistent with pro-poor growth if it allows the absorption of more labor from agriculture and other low-productivity sectors.

Mozambique's growth was efficient at reducing poverty because inequality did not change. However, the increasing education requirements for growth might increase inequality, especially within urban areas and between rural and urban areas. Although overall inequality in Mozambique is fairly low, inequality within the urban sector is much more prevalent (meaning within cities and between richer urban areas, such as Beira and Maputo, and smaller, poorer urban areas). An upward shift in demand for educated labor not met by supply could increase inequality. The wage regressions show a very high rate of return to education, which indicates a shortage at the postprimary level and especially at the secondary and postsecondary levels. Data from a sample of primarily manufacturing enterprises show that larger enterprises—ones that create a lot of wage employment in urban areas—demand a much higher level of education than the average urban labor force participant has. Mozambique is moving rapidly to address this skills shortage, but so far these measures have been mostly at the primary level. Thus, the gap in returns to education could widen further, thereby increasing inequality, despite the government's push to increase the supply of educated labor.

Poverty reduction requires continuing labor mobility from low- to high-productivity sectors. In urban areas, private sector wage employment growth needs to accelerate in the industrial sector. As the rural sector sheds labor, the urban labor force is expected to grow rapidly. This labor force needs jobs. Although self-employment in the service sector was an important driver of poverty reduction over 1997–2003, if this sector has to absorb all the future urban labor force growth, productivity will decline to the point where incomes stagnate, especially among the poor and least skilled. Moreover, the self-employment sector is highly dependent on overall urban income increases.

Because domestic capital is limited, Mozambique needs foreign direct investment in labor-intensive industries to drive wage and salary job creation. Confining foreign direct investment to capital- and energy-intensive industrial “megaprojects” will not yield the job creation performance needed. Mozambique's domestic manufacturing sector is mostly very small, concentrated in low-tech food and beverages and wood processing. Potential for diversification into labor-intensive manufacturing exports such as textiles should exist. Past performance indicates that Mozambique should be able to attract the foreign direct investment required to create those jobs. Maintaining and improving the investment climate are crucial, especially in areas that are most important for large manufacturing enterprises.

Even with a major increase in industrial-sector wage jobs, Mozambique cannot create wage jobs fast enough to absorb all new entrants. The focus on the investment climate for large firms should be complemented by support for the poorly capitalized small and micro businesses. The high mean income for family business, especially in the service sector in urban areas, is good for poverty reduction. Nevertheless, the widening inequality within the sector is worrisome—reducing the efficiency of growth in reducing poverty. It is an indication of the growing heterogeneity of the service sector, with successful entrepreneurs working side by side with marginal ones. More analysis will be needed to develop policy and programmatic recommendations to support this critical sector. The rural nonfarm sector (fed by growing incomes in the farm sector) will also be an important part of the poverty reduction picture. The sustainability of natural resource-based activities is limited. The market for many nonfarm activities is currently limited to the local community. Opening market opportunities beyond the community is likely to yield a sizable effect and ensure the expansion and increased profitability of these self-employment activities—if the supporting environment is in place, such as infrastructure and access to capital.

Continuing output growth and labor-productivity improvements in agriculture are critical for maintaining shared growth—and will require new strategies. Agricultural growth's effect on rural poverty is particularly powerful because the rural economy is dominated almost entirely by smallholders. Sustained growth in per capita consumption for households in all income groups whose main occupation is agriculture was the largest driver of poverty reduction over 1997–2003. Because the rural poor are concentrated in agriculture, which allows growth in crop production and marketing to directly affect rural poverty, positive externalities come from ensuring food security and forward and backward links to the nonfarm sector. From this point of view, the aggregate growth performance of agriculture since 2003 is a promising sign. If it is not accompanied by a reduction of labor in the sector, however, the prospects for shared growth in rural areas are weaker. One factor that increased income per capita in the agricultural sector—the withdrawal of low-productivity young labor from the labor force to go to school—is a change unlikely to be repeated, at least not on the scale of 1997–2003.

Extensive agricultural practices—increasing output by working larger land area—are not sustainable for smallholders. Rural farmers have been practicing slash-and-burn techniques, which are now unsustainable. Land yields are too low—production cannot be increased. Adding more

labor has very low returns. Smallholders have raised their incomes by adding nonfarm activities. As in the urban sector, this strategy will run out of steam because it depends on the growth of agricultural incomes.

Increasing smallholder household income will require infrastructure investments to support rural nonfarm income growth and new strategies to help smallholders raise yields. Increased household income from both farm and nonfarm sources is associated with paved roads near the village. Mozambique needs to continue investing in transportation infrastructure in rural areas. As households shift labor from crop production to higher-productivity nonfarm employment, the past strategy of expanding the land under cultivation will become more difficult as labor shortages appear. New farming methods that are more productive per labor unit and provide higher yields per hectare will be needed. They require improved seeds, drought-resistant varieties, different farming practices, and the use of more chemical inputs. Smallholders need to be supported through extension and credit to use these technologies.

Encouraging the growth of large-scale, commercial agriculture brings benefits to smallholder farmers. A successful agricultural strategy will need to rely on the private sector for investments and know-how—reliance on only publicly funded extension, credit, and investment is not sustainable. Commercial agriculture brings new technologies to the area, which have spin-off benefits to all farmers in the area—large and small. Commercial farms also subsidize infrastructure development, provide needed wage employment, and increase demand for products of the nonfarm sector. Contract growing schemes, another form of commercial farming, support smallholder farmers to modernize and earn higher incomes. These schemes bring improved seeds and production processes to the farmers, provide needed input finance, and reduce the smallholders' risk from greater specialization. Analysis of the tobacco sector in Mozambique has shown that private extension services provided by contract growers have a high rate of return. Contract farming requires an appropriate regulatory framework that strikes a balance between protecting the farmer from a monopolist and ensuring returns to the contracting company commensurate with the risk.

Mozambique may wish to consider rural public works schemes to expand opportunities for the poorest farmers who cannot break out of the subsistence trap. Past diversification of household income has resulted from pull factors—in particular, a dynamic rural economy. Nevertheless, a group of smallholders cannot modernize or commercialize, and cannot develop or stay profitable in off-farm activities. They are usually low

income, have few assets, and may lack adults in the household (“skip generation” households). Providing labor income-earning opportunities through community-driven public works programs could be an effective safety net for this group.

A key element of pro-poor growth is gender equity, as both a driver and a consequence. Mozambique has already recognized and targeted increased education attainment for all, including girls, as a driver of growth. It seems to have paid less attention to the implications for increasing productivity from the growing feminization of the agricultural sector. This trend has particular implications for the policies required to sustain the recent productivity increase in agriculture, the foundation of Mozambique’s pro-poor growth. Women are often overlooked by extension agents, so they may not get the information they need. Women have less access to the capital needed to invest in these technologies. International experience has shown that successful agricultural projects need to include women farmers early in the design stage, so that projects meet their needs. Strategies are needed to help women diversify crops and raise output to a commercial scale without risking household food security.

Widening employment opportunities for women, either in commercial agriculture or nonfarm activities—by increasing the mobility of women out of agriculture—will also help reduce poverty. The fundamental measures may be outside the agricultural sector. For example, improved infrastructure to reduce the time women spend on household chores would free more time for income-generating economic activities, including learning about better farming practices, or for building their own human capital.





## CHAPTER 3

# Agricultural Growth, Diversification, and Mobility

## *A Closer Look at Rural Poverty*

Agriculture has reduced rural poverty in Mozambique, particularly through land area expansion, crop diversification, and market participation. The scale of production is still small. Crop yields are generally low. Women, the asset-poor, and uneducated farmers participate less in markets and grow less-profitable crops. Vulnerability and the inability to cope with crop production shocks have proven severe, particularly among households already worse off. Income diversification into non-farm activities and wage labor also helped households get out of poverty or maintain their welfare.

Mozambique needs to promote a diverse and diversified agricultural sector, strengthen markets and coordination mechanisms, and support creation of rural off-farm employment. A diverse and diversified agricultural sector can increase agricultural productivity and production efficiency to maximize the benefits to the rural poor. Agricultural markets and coordination mechanisms in value chains can reduce uncertainty and increase the benefits to smallholders and large producers alike. More employment opportunities can sustain a strong off-farm economy in rural areas to help households deal with the vulnerability associated with crop production.

- A more diverse and diversified agricultural sector will require research and extension to smallholder subsistence farmers to increase their

productivity in basic food crop production—and to commercial smallholders to increase their scale of operation, diversify their crop portfolio, and increase their farm yields. A large-scale farming sector needs to be promoted so that it generates employment and other links (such as technology) to rural smallholders and does not crowd them out. Productive infrastructure, such as irrigation and a good investment climate, including flexibility in accessing and securing land tenure and improving access to finance, will be crucial in this process.

- A more active and efficient agricultural marketing system will require marketing infrastructure as well as institutions and services that provide market information, establish grades and standards, manage risk, and enforce contracts. Contract farming in key domestic food chains (links to supermarkets) and export-oriented high-value supply chains will be fundamental. Developing and empowering farmer groups will be key to reducing transaction costs and promoting a more balanced and competitive system.
- A more diversified activity portfolio off the farm will help households cope with shocks in crop production and prices. To maximize the benefits of the off-farm economy—both in farm and nonfarm wage labor and in the self-employment microenterprise sector—public works programs can generate local wage employment in the short run. A better investment climate can attract private sector investment in off-farm activities. Schooling and training can improve the access of households to more profitable opportunities. Focused value-chain studies can identify opportunities to support agroprocessing industries and services with strong links to agriculture to maximize the effects on rural households.

### **Agricultural Growth and Poverty Reduction, 1996–2002**

Mozambican agriculture has been growing very rapidly, but it is vulnerable to climatic shocks. Starting from a very low base, agricultural growth was high in the immediate postwar period and throughout the 1990s. Mozambique has one of the highest agricultural gross domestic product (GDP) growth rates in southern Africa (see World Bank *World Development Indicators* for various years). Since the peace accords, agriculture has grown rapidly because farmers returned to their land and markets started to open. Average annual GDP growth for the agricultural,

livestock, and forestry sectors was 6.2 percent between 1992 and 2003 (figure 3.1). Growth of maize production, Mozambique's predominant food crop and a proxy for overall agricultural growth, confirms these production trends. By 1999, maize was cultivated by about 79 percent of rural households and occupied about 35 percent of total planted area (Agricultural Census 2000 data). The rural economy has suffered heavily from droughts in 1991 and 1994 and floods in 2000, events followed by an immediate economic recovery.

Production of basic food crops is the key driver for higher agricultural production, but export-oriented production of cash crops is also expanding. Basic food crop production grew at an average of 3–4 percent a year. Maize and millet production showed the largest increases, followed by sorghum, beans, rice, and cassava. Production increases were highest in the central regions, particularly in Tete province (see appendix table 3.3 on the accompanying CD-ROM). The number of households producing and total cash crop production for exports also increased. Particularly important are sugarcane (for larger enterprises), cashews, copra, cotton, and tobacco. The International Fund for Agricultural Development estimates indicate that from 2000 to 2002 sugarcane production (predominantly a plantation crop) more than doubled (IFAD 2005). Tobacco production

**Figure 3.1. Growth of Agricultural GDP, 1992–2003**



*Source:* World Bank 2006a, based on National Accounts data from Mozambique National Institute of Statistics.

*Note:* Agriculture includes the livestock and fishery sectors.

(predominantly under contract farming arrangements) increased, from less than 2,000 tons in 1996/97 to more than 50,000 tons in 2003/04, and the number of farmers increased from fewer than 10,000 to more than 100,000. By contrast, cotton production, higher in 2002, has been cyclical, fluctuating with prices and demand in world markets as well as responding to issues related to the management of contract farming arrangements between agroindustrial exporting firms and smallholders. Crop production was considerably more diversified in 2002 than in 1996—a key factor for growth in crop income and reductions in household vulnerability. The mean number of crops grown per household increased from less than five in 1996 to almost eight in 2002, and the number of crops grown by households in the lowest quintile more than doubled (see appendix table 3.4). Richer households typically grow more crops of all types than do poorer households. Food crops are the most numerous, followed by tree crops and horticultural crops. Households in the top two income quintiles are three times more likely to have a cash crop than those in the lowest quintiles. Sustaining that diversification and increasing access to more profitable crops for poor households are important for future poverty reduction driven by agricultural growth. Within the food crop group, the largest increase in crops grown was in the pulses group (beans and groundnuts), followed by roots and tubers (cassava, sweet potato, and Irish potato). Overall, the mean number of crop groups grown increased from three to four per household, another indicator of diversity.

Extensive cultivation has been the main source of agricultural growth. Much of the growth in crop income has been through extensive agricultural practices, rather than through better seeds and chemical inputs. The area under cultivation grew by 3.3 percent a year between 1993 and 2001 and by 3.9 percent a year between 2000 and 2003. The expansion is predominantly in the smallholder sector; commercial farming shrank, except in the southern region (see appendix table 3.5). Between 1996 and 2002, households adopting productivity-enhancing technologies increased only modestly. For instance, use of fertilizer (manure or chemical) increased from 4 percent to 10 percent of households (chemical inputs alone increased from 1 percent to 4 percent), use of animal traction increased from 7 percent to 11 percent, and small-scale irrigation increased from 4 percent to 11 percent. These technologies are used almost exclusively in cash crops, grown mostly under contracts with agroindustrial exporting firms. As a result, yields stagnated for basic food crops widely grown by smallholder farmers, predominantly for subsistence. In general, yields for

**Table 3.1. Estimated Actual and Potential Crop Yields, 1998***tons/hectare*

<i>Crop</i>	<i>Average actual yield</i>	<i>Average potential yield</i>
Maize	0.9	5.0–6.5
Sorghum	0.4	0.8–2.0
Rice	1.0	2.5–6.0
Beans	0.5	0.5–2.5
Cassava	6.0	5.0–10.0
Cotton	0.5	1.0–2.0

*Source:* Howard and others 1998.

many crops are far below potential (table 3.1), and Mozambique is lagging behind most of its neighbors. Extensive cultivation is no longer a sustainable path.

The area cultivated by smallholders is still too small to achieve adequate scale, but expansion is limited by practices and technologies. Average area sizes are small, and plenty of room exists to expand at the farm level to improve rural household welfare. Regression analyses on the determinants of household income have noted the importance of crop diversification (generally associated with land area expansion) and productivity-enhancing technologies (Benfica 2006; Benfica, Tschirley, and Boughton 2006; Walker and others 2004). Agricultural land's short-run elasticity on output growth is estimated at 0.8, and its long-run elasticity at 0.4 (World Bank 2006b). Smallholder landholdings are positively correlated with net sales (and smallholder welfare) in key crops in rural Mozambique. The bottom line: although land area expansion is still important to achieve the needed scale in production, household ability to expand that area may be limited by scarce labor. Deploying more agricultural labor is uneconomic for households, given the low returns. Gains in crop yields at the farm level, achieved through productivity-enhancing technologies, can sustain agricultural growth and reduce rural poverty.

### ***Agricultural Markets and Household Welfare***

Although still weak, market participation and spatial integration have improved, and crop commercialization has grown. Partly as a result of improved security and road network conditions, domestic market integration has improved significantly, domestic trade is growing, and prices are converging across subregions (see appendix table 3.7). The construction of the bridge over the Zambezi River is expected to bring new dynamism. Agricultural growth in border provinces, such as Niassa and Tete, has

benefited from increased cross-border trade with Malawi, Zambia, and Zimbabwe. Maize is the dominant crop in that trade, with small quantities of other food crops.

Participation in agricultural markets is important for rural household welfare, but the magnitude of the differences between market participants and nonparticipants varies by crop. Overall market participation increased from 1996 to 2002, and the magnitude of the income gain depended on the type of crop. Household income rises as households move from selling surplus food (usually maize) in the spot market to selling an undifferentiated contract cash crop (cotton), to selling a quality-differentiated cash contract crop (tobacco) (Boughton and others 2006; see appendix tables 3.8–3.10).

Market participation and household success in key crop markets are correlated with education, gender, and ownership of private assets. As expected, wealth and education are especially correlated with higher-value contract and quality-differentiated crops. Female-headed households are significantly disadvantaged in both participation and earnings from sales in all markets because of lower education levels and less labor available in the household.

### ***Changes in the Structure of Rural Household Income***

Rural household income grew for all regions and household groups, with top- and bottom-quintile households benefiting the most and female-headed households still lagging. During 1996–2002, real rural household incomes—the net value of crop production and sales, earnings from non-farm self-employment, and wage income—grew an average of 8.7 percent a year. Growth rates were highly differentiated across groups and regions of the country, but the strength of income growth among lowest- and highest-quintile households shows some pro-poor rural income growth. Female-headed households remain concentrated in the lower quintiles, with an average growth rate significantly below that of male-headed households (see appendix table 3.1).<sup>1</sup>

The composition of income changed as crop income became less important, but it remained key for rural income growth and poverty reduction, especially for the poorest groups. Although crop income (drawn by virtually all households) remained the single most important source for all groups over the period, its importance is falling for households in all income groups and across all regions. Crop income's high share in total income (despite its slower growth) explains much of the increase in mean income (nearly 80 percent) for the poorest groups (quintiles 1–3). For

**Table 3.2. Sources of Growth in Rural Household Income, by Quintile, 1996–2002***percentage*

<i>Quintile of net household income per adult equivalent</i>	<i>Annual growth rate in income (1996–2002)</i>	<i>Change in mean total income attributable to each source (1996–2002)</i>				
		<i>Crop income</i>	<i>Livestock sales</i>	<i>Wage income</i>	<i>Nonfarm enterprise</i>	<i>Total</i>
Lowest	6.5	77.2	5.0	–3.0	20.8	100.0
2nd	2.9	77.0	6.0	5.0	12.0	100.0
3rd	2.8	79.2	7.9	13.9	–1.0	100.0
4th	4.1	39.4	9.1	38.4	13.1	100.0
Highest	12.4	–8.0	4.0	55.0	49.0	100.0
All households	8.7	9.9	5.0	46.5	38.6	100.0

*Sources:* National Household Agricultural/Income Survey (TIA) data for 2002; Boughton and others 2006.

*Note:* Change is the percentage of total change attributable to the source, calculated as a share of each source's change in the total change.

the highest quintile, crop income actually fell, and growth was motivated by a strong increase in wage income (accounting for 55 percent) and nonfarm enterprise income (accounting for 49 percent). Nonfarm enterprise income growth accounted for 20 percent of growth in the poorest income quintile, again illustrating the importance of nonfarm businesses in rural income growth and poverty reduction (table 3.2).

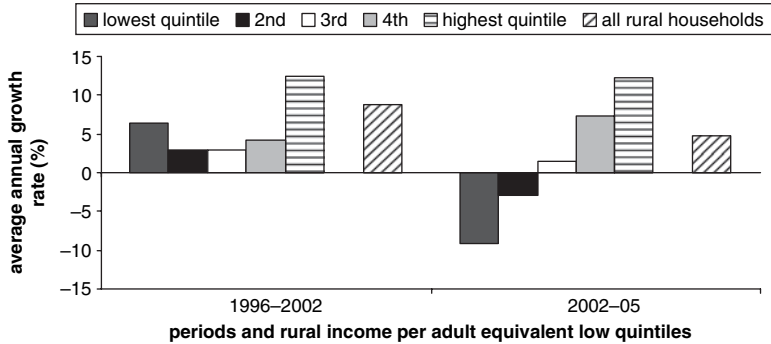
### **Rural Poverty Dynamics and the Role of Diversification, 2002–05**

Rural income growth has continued to be strong since 2002—but has not been pro-poor—and inequality increased. Whereas mean rural incomes continued to grow, incomes in the lower quintiles did not improve but actually fell between 2002 and 2005. Over the same period, the third quintile experienced limited growth, but average growth in the top two quintiles continued to be strong (figure 3.2).<sup>2</sup>

The poorest households lost out because the grain harvest was poor in 2005, especially in the central provinces, and they were unable to diversify from food crops to other income sources. Diversification of the household portfolio continued through 2005, with crop income remaining important but its share falling. Although crop income remained the single-most-important source for all groups over the period, the process of rural and agricultural transformation continued. Richer groups moved into nonfarm sources, such as livestock, wage labor, and nonfarm enterprise income; however, households in the lowest quintile still earned



**Figure 3.2. Average Annual Growth of Rural Household Income per Adult Equivalent, by Income per Adult Equivalent Quintile, 1996–2002 and 2002–05**



Source: TIA data for 1996, 2002, and 2005.

80 percent of their incomes from crop sales and subsistence agriculture. Consequently, the relatively bad harvest in grains in 2005, caused by irregular rainfall, hurt most of the households in the lowest quintile—which depend much more heavily on income from crop production—and the income gap increased.

### ***Chronic Poverty and Vulnerability in Rural Mozambique***

Dynamic analysis, using data from a panel of households, helps understand the recent widening in rural inequality. This section uses data from a special 2002–05 rural household panel<sup>3</sup> and dynamic approaches to provide insights into household movements around a poverty line and to account for the effect of time on household wealth, income sources, decisions, and strategies. Analysis of individual household outcomes and their correlates provides more robust information on how mobility works in practice in rural Mozambique. This analysis highlights who is actually left behind when a bad harvest occurs—and why.<sup>4</sup>

Vulnerability to shocks makes rural poverty persistent or chronic. The effects of the fall in rural incomes among households show up strongly in the analysis of rural poverty transitions. That has particularly affected households with less-diversified incomes—that is, those that are more dependent on rain-fed agriculture and have fewer or less-profitable off-farm sources. More than half of all households (52 percent) remained poor between 2002 and 2005, and only a limited proportion of households (15 percent) managed to stay out of poverty in both periods (see lower part of table 3.3). Also, among all households, the percentage of

households that fell into poverty (nonpoor in 2002 and poor in 2005) and came out of poverty (poor in 2002 and nonpoor in 2005) is not very different, 14.7 and 17.7 percent, respectively. Looking at the transition probabilities (lower section of table 3.3) gives a better idea on poverty mobility. The odds of households poor in 2002 becoming nonpoor in 2005 were only 25 percent—compared to 49 percent falling into poverty (likelihood of nonpoor in 2002 becoming poor in 2005). The high probability of people poor in 2002 remaining poor in 2005 (75 percent) indicates persistence in poverty in rural Mozambique, particularly in the face of shocks, such as irregular rainfall as in 2005. Poverty transition status by region and province reveals a very common pattern of transitivity (see appendix table 3.13). An analysis of reported days of drought across the two data points indicates that the situation was relatively bad all over the country in 2005. The southern region, typically drought prone, experienced more drought days than usual. In the north, where droughts are rare, the number of drought days more than quadrupled over the period. The degree of the drought in the central areas differed less across the two years, but its severity stood somewhere in between that of the south and north. In spite of this adversity, overall, the rural income poverty head-count rate in rural areas declined by three percentage points (see top part of table 3.3).

The lack of upward mobility suggests not only highly persistent and severe rural poverty, but also significant upward and downward income movement within the group of poor households. To gain a better sense of the relative stability of households above and below the poverty line and how they move over time, an alternative transition matrix with four poverty status categories is used: extremely poor (incomes less than half the poverty line), poor (incomes above half the poverty line, but still below it), nonpoor (incomes above the poverty line, but below 1.5 times the poverty line), and wealthy (incomes over 1.5 times the poverty line). Of households considered extremely poor in 2002, most remained extremely poor in 2005 (56 percent); of households considered poor in 2002, 41 percent became extremely poor in 2005 (table 3.4). Among the worst-off households, poverty is persistent, with a high likelihood of the situation's worsening, particularly in 2005, when a weather shock occurred. A breakdown of the analysis by region starts to reveal how bad the situation was in the north, where these events are less common. The north exhibits the highest rates of immobility among the extremely poor—and downward mobility by the poor, nonpoor, and wealthy into extreme poverty (see appendix table 3.14, panel b).

**Table 3.3. Rural Income Poverty Incidence and Transition Matrix, 2002 and 2005***percentage*

<i>Survey year</i>	<i>Household poverty status group</i>		
	<i>Poor</i>	<i>Nonpoor</i>	
2002	69.9	30.1	
2005	66.8	33.2	
<i>Poverty transitions 2002–05</i>			
<i>Household poverty status in 2002</i>	<i>Household poverty status in 2005</i>		
	<i>Poor</i>	<i>Nonpoor</i>	
Poor	52.4	17.5	
	Remained poor	Escaped poverty	
Nonpoor	14.7	15.4	
	Became poor	Remained nonpoor	
<i>Poverty transition odds 2002–05</i>			
<i>Household poverty status in 2002</i>	<i>Household poverty status in 2005 given status in 2002</i>		
	<i>Poor</i>	<i>Nonpoor</i>	<i>All</i>
Poor	74.9	25.1	100.0
Nonpoor	48.9	51.1	100.0

*Source:* TIA data for 2002 and 2005.**Table 3.4. Alternative Rural Income Poverty Incidence and Poverty Transition Matrix, 2002 and 2005***percentage*

<i>Rural household income poverty status, 2002 and 2005</i>					
<i>Survey year</i>	<i>Household poverty status group</i>				
	<i>Extremely poor</i>	<i>Poor</i>	<i>Nonpoor</i>	<i>Wealthy</i>	<i>All</i>
2002	42.8	27.1	12.9	17.2	100.0
2005	43.1	23.7	11.1	22.1	100.0
<i>Poverty transition odds 2002–05</i>					
<i>Poverty status in 2002</i>	<i>Household poverty status in 2005 given status in 2002</i>				
	<i>Extremely poor</i>	<i>Poor</i>	<i>Nonpoor</i>	<i>Wealthy</i>	<i>All</i>
Extremely poor	56.4	22.7	7.6	13.3	100.0
Poor	40.8	27.4	12.4	19.4	100.0
Nonpoor	33.0	24.1	14.4	28.5	100.0
Wealthy	22.6	20.2	15.8	41.4	100.0

*Source:* TIA data for 2002 and 2005.*Note:* *Extremely poor* is defined as below half the poverty line and *wealthy* as above 1.5 times the poverty line.

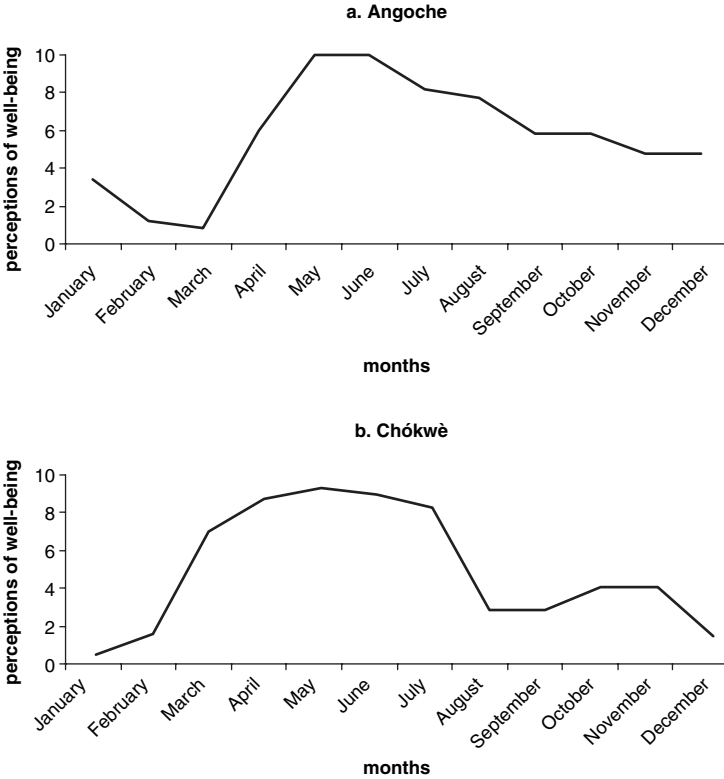
Although moving out of poverty was quite difficult under the circumstances facing households in this period, those that escaped appear to have done it relatively well. As expected, more “relatively less poor households” managed to escape poverty than the extremely poor, but most extremely poor and poor households that did escape poverty moved straight into the wealthy category.<sup>5</sup> While entering poverty was very likely among wealthy households, which reveals some instability and inability to sustain high welfare standards under adverse circumstances, an equal proportion of households maintained their wealthy status in all regions.

Seasonality is an important part of the risks and shocks that ordinary households face in Mozambique. The seasonality of vulnerability highlights important variations in risks and shocks—and the ability of communities and households to respond. A recent quantitative assessment of changes in food calorie intake over the agricultural year found significant regional differences in seasonality (Arndt, Barslund, and Sulemane 2006, using National Household Surveys on Living Conditions data for 2003). Households in the south seem to exhibit less seasonality in their calorie intake than those in the central and northern regions. Households on average are fairly able to smooth their calorie intake throughout the year, but the seasonality of poverty and vulnerability imposes stress and hardship on many poor households. Participatory analysis, especially from the northern region, displayed particularly large variations in well-being throughout the year. It also showed fairly large variations among locales in the same region in the severity and timing of seasonal fluctuations (figure 3.3 and box 3.1).

### ***Rural Poverty Transitions Consistent with Perceptions of Welfare Change***

Most households—even those that escaped poverty—view the period 2002–05 negatively. The National Household Agricultural/Income Survey (TIA) used here included questions on household perceptions of welfare changes similar to those included in the Poverty and Vulnerability Survey conducted for this report. The results for 2005 are quite similar to this report’s results for 2006—a negative perception of change. The trend in household perception of welfare changes is roughly consistent with income poverty transitions, but in each case, households were much more likely to view their status negatively than the objective income data showed. Although the majority of households in each group indicated that living conditions deteriorated over the period, this response was most frequent among the households that remained poor

**Figure 3.3. Seasonal Variation in Well-Being and Vulnerability, 2006**



*Source:* Authors' calculations based on data from PVS 2006.  
*Note:* Perception of well-being scale from 0 to 10: 0 is very badly off, and 10 is very well off. Samples are not representative.

and that became poor. Likewise, the proportion of households reporting improvements in living conditions was highest among those that escaped poverty and that maintained nonpoor status. About a third of households in each group reported no change in welfare (figure 3.4).

Households do seem to correctly perceive the slowdown in income growth for the lower quintiles and the higher risk of poverty. In 2002, 30 percent of rural households reported perceived improvements in welfare over the past three years, but only 18 percent did in 2002, while the proportion reporting worsened conditions increased from 39 percent to 50 percent (see appendix table 3.15).

**Box 3.1****Seasonality of Vulnerability in Two Localities in Mozambique****Locality 1: Inguri B, Municipality of Angoche, Nampula**

Angoche, a small town of previous grandeur, used to be an important fishing town with several processing plants (for cashews, rice, and so on). All but one were shut down in the 1990s. The closure of these plants led to a rapid rise in unemployment and underemployment and to the near collapse of the local economy. Most households resorted to artisanal fishing, informal and petty trade, and subsistence agriculture. A few fortunate people remain employed in the formal sector—in public institutions, stores, and a small, recently opened shrimp-processing plant.

The seasonality of vulnerability has been particularly strong in Angoche since the closures of the parastatal factories. Well-being normally begins to deteriorate in January and February. March and April are the most critical months. The supply of fish is at its lowest, and prices of staple goods—particularly dried cassava—are at their highest. December through March coincides with the shrimp protection period, when shrimp trawling and fishing are not allowed. In addition, the beginning of the school year strains household budgets with costs for matriculation (for secondary school), school materials, and uniforms. This is also when households normally suffer the most from ill health caused by malaria, diarrhea, and even cholera in bad years.

In May and June, conditions improve. Fish, shrimp, and scallops are abundant, both for eating and selling. Agricultural produce (fresh and dried cassava, maize, mapira, and rice) can be bought at fairly low prices. Well-being remains high into July and August, with a boost from good fishing conditions. Conditions start to decline again in November and December—the result of bad fishing conditions, the onset of shrimp protection, and higher prices for agricultural products.

**Locality 2: Xilembene, Chókwè, Gaza**

Xilembene is a peri-urban town outside Chókwè. Central to the agricultural engine of Mozambique during colonial times, the town has a rich history and is known across Mozambique as the birthplace of Samora Machel, the country's first president. Until recently, it benefited from an extensive and sophisticated

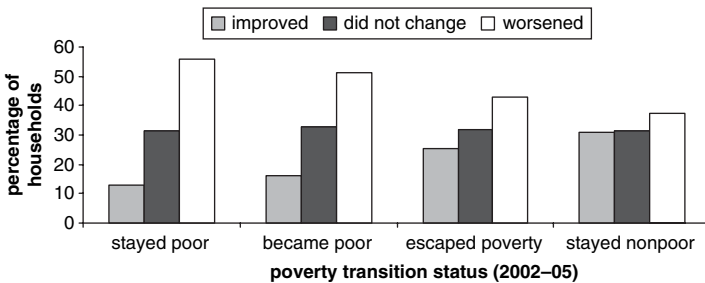
*(continued)*

system of irrigation canals that stretched across much of southern Mozambique. The region’s infrastructure for agricultural support—which previously included several processing plants, an agricultural seed production factory, and several credit institutions—gradually fell apart from a lack of maintenance and investment. Irrigation has been in a state of permanent disrepair since the floods of 2000, leaving the fields of hundreds of households without easy and regular access to water. The gradual collapse of agricultural production and marketing devastated local subsistence farmers. Even so, households in the second locality of Xilembene appear to have smoother and less severe changes in well-being during the year than those in urban Angoche.

September means the end of the really good times. The food situation becomes severe from late October until February or March, with most households eating fewer than two meals a day. The most vulnerable—orphans and female-headed households—rarely get more than one meal a day. This period also coincides with the warm and rainy season, bringing malaria and diarrhea. January burdens many households with schooling expenses. The winter months from April through July are times of abundance, with agricultural harvests bringing enough food for most people. In good years production is sufficient to sell the excess.

Source: UEM 2006: 46–47 (locality 1), 118–19 (locality 2).

**Figure 3.4. Rural Poverty Transition Status and Welfare Perceptions, 2002–05**



Source: TIA data for 2002 and 2005.

### ***The Role of Agricultural Markets and Off-Farm Diversification***

How successfully households gained and sustained diversified income sources determined their poverty transition status in the period. Among households that were initially poor (and mostly hit with the weather shock), those able to participate in food markets and gain access to non-farm enterprise income were more likely to escape poverty. Failing to sustain nonfarm enterprise activity, and more important, wage income, reduces the probability of escaping poverty. Among households initially nonpoor, most of which reached that status following successful income diversification in the past, closing down nonfarm enterprises and losing wage income sources increased significantly their probability of falling into poverty.<sup>6</sup>

Households that escaped poverty or maintained nonpoor status were more likely to enter rural food and cash crop markets and by 2005 had a higher probability of owning key assets and having access to information extension and market information. Overall, households that escaped poverty and those that remained nonpoor over the period are more likely than those that stayed poor or entered poverty to have nonagricultural assets, such as radios and bicycles, and access to extension, market information, and improved storage (see appendix table 3.17). Increasing participation in food and cash crop markets through more profitable marketing operations is important for households to escape poverty. More households maintained or increased their participation in food and cash crop markets among those that escaped poverty than among those that remained poor (see appendix table 3.18). Growth in returns in those activities were also significantly higher for these households, although in absolute terms, households that retained nonpoor status had the highest returns in both food and cash crop markets at the end of the period (see appendix table 3.19).

A change in household income sources had a big effect on poverty status. Finding and maintaining off-farm sources of income, such as wage and nonfarm self-employment, help households escape poverty and not fall into it. Among the households that escaped poverty, the proportion with wage income and nonfarm businesses increased significantly, and households with those as the major sources of income almost tripled (table 3.5; see appendix tables 3.21 and 3.22). Many households reached nonpoor status because of successful involvement in nonfarm self-employment and wage jobs. Nonpoor households that keep those sources of income are much less likely to fall into poverty.



**Table 3.5. Rural Poverty Dynamics and Off-Farm Income Diversification, 2002–05***percentage*

<i>Off-farm income diversification dynamics</i>	<i>Poverty transition status</i>				
	<i>Stayed poor</i>	<i>Became poor</i>	<i>Escaped poverty</i>	<i>Stayed nonpoor</i>	<i>All households</i>
<i>Wage income status</i>					
Never had wage income	66.1	58.9	58.6	57.3	62.4
Lost wage income	7.4	13.8	3.4	6.5	7.5
Entered wage market	21.0	17.5	30.3	15.5	21.3
Maintained wage income	5.5	9.8	7.7	20.7	8.8
Total	100.0	100.0	100.0	100.0	100.0
<i>Nonfarm MSE income status</i>					
Never had MSE income	39.8	30.1	27.6	25.4	34.1
Lost MSE income	14.8	27.2	8.6	16.0	15.7
Entered MSE activity	23.2	18.1	34.1	21.1	24.1
Maintained MSE income	23.2	24.6	29.7	37.5	26.1
Total	100.0	100.0	100.0	100.0	100.0

*Source:* TIA data for 2002–05.*Note:* MSE = micro or small enterprise.

Among households that kept their nonpoor status, 21 percent maintained their wage labor income sources and 37 percent maintained their nonfarm self-employment sources. A smaller proportion lost them. Likewise, the highest proportion of households that remained nonpoor never had access to these sources of income, and among those exiting poverty, a large number had access to wage or markets or maintained a nonfarm enterprise (see appendix table 3.20).

Returns to nonagricultural wage labor are significantly higher than those to agricultural wage labor. Gaining and sustaining access to those opportunities are crucial in determining household poverty status. Most poor households did not diversify into nonagricultural wage jobs, and those that did moved into unspecialized categories. Average returns to households that remained in poverty were much lower, whereas the returns to households that escaped poverty increased, especially for specialized nonfarm wage labor. Sustained participation and aggregate wage levels in nonfarm wage employment opportunities determined how well nonpoor households fared. In fact, a slightly higher proportion of households that did not fall into poverty engaged in nonfarm wage labor opportunities, particularly in the specialized categories. Participation among households that fell into poverty decreased from 17 percent to

10 percent. While average returns among households that fell into poverty dropped, those that maintained their status saw their average returns stagnate—but at a higher level than other groups (see appendix table 3.23).

The proportion of households diversifying into agricultural wage jobs grew, but success in escaping poverty or in remaining nonpoor was defined by the rates of diversification into, and the profitability of, specific types of agricultural wage opportunities. The proportion of households with agricultural wage jobs more than doubled, but aggregate average returns fell, which suggests that some households did not benefit as much as they expected and that poverty outcomes differed greatly. In both periods, households that did not escape poverty were more likely to have an agricultural wage job than were those that escaped poverty. The fundamental difference, however, was that those households that did not escape poverty were predominantly engaged in unskilled, low-paying wage jobs on small farms, while those that did were engaged more in equally unskilled jobs (but on larger farms) and in skilled, higher-paying jobs. Likewise, households that fell into poverty were mostly engaged in small-scale, unskilled, low-paying farm jobs (see appendix table 3.23).

Diversification into nonfarm enterprises in natural resources extraction (forestry products, wildlife, and fishing) was important in helping households escape poverty. Overall, nonfarm businesses in natural resources extraction require little capital and skills. Poor households that escaped poverty showed the highest increase in these types of activities, particularly in firewood collection and grass and cane products. Diversification rates into natural resources extraction activities among nonpoor households that did not fall into poverty, however, hardly differ from those of other groups and did not change much. This finding suggests that these enterprises were not as important in reducing the likelihood of households falling into poverty. Diversification into manufacturing and trading appears to have been effective in helping better-off households sustain their level of welfare.

Nonfarm self-employment in manufacturing and services was important for all groups, but success depended greatly on the types of businesses targeted. For instance, trade in alcoholic beverages and in nonfood products was important in taking households out of poverty and in preventing others from falling into it (see appendix table 3.24). The proportion of households engaged in beverage trading that became poor fell from 6.8 percent to 4.8 percent, while the proportion of households

that escaped poverty rose from 5.2 percent to 13 percent. Likewise, for households that maintained nonpoor status (the group that already had the highest proportion in this business in 2002), the proportion rose from 8 percent to 15 percent. Households that remained poor had the lowest diversification. The same patterns, although smaller in magnitude, are observed for trade in nonfood products and some services (repairing bicycles and the like) and in construction.

### **The Way Forward for Sustaining Rural Poverty Reduction**

The evidence outlined in previous sections points to the key role of agriculture in rural poverty reduction in Mozambique in the past decade. In light of agriculture's continued predominance as a livelihood for rural households, progress in poverty reduction in Mozambique will continue to depend on the performance in this sector. Evidence has also indicated that income diversification into off-farm self-employment activities and wage labor was important in increasing income levels and ensuring that households stay out of poverty. So, to sustain reduction in rural poverty, the following will be important:

- Raising a diverse agricultural sector with higher productivity and production efficiency to maximize the benefits to rural households in terms of better food security and higher crop incomes
- Enhancing agricultural markets and coordination mechanisms in value chains to benefit from economic linkages
- Supporting the generation of wage employment opportunities to sustain a strong off-farm economy in rural areas to help households deal with the vulnerability associated with production agriculture

#### ***Supporting a Diverse and Diversified Agricultural Sector***

Supporting a more diverse agricultural sector will require investments in research and extension to help smallholder subsistence farmers increase their productivity in basic food crop production, to help commercial smallholders increase and diversify their crop portfolio and farm yields, and to help a large-scale farming sector generate employment and other links to rural smallholders.

Rural pro-poor growth will come from increasing agricultural productivity and diversifying crop production in the smallholder sector. Because crop income remains important as a source of income for the poor, sustainable increases in this source will still be important to achieve pro-poor growth. Moreover, because the majority of households are net

food buyers, increases in crop income must originate from productivity gains in food crops and not merely from price increases that reflect local scarcity. Productivity gains need to be reflected not only in increased yields per hectare but also in output per worker, from improved seeds and chemical inputs and from increased mechanization.

Crop income can also be increased by having rural households diversify into profitable cash crops, particularly because productivity-enhancing inputs are generally associated with such crops. Households growing those crops tend to apply these inputs in food crops or fallow techniques. Private investment in cash cropping for exports brings technologies that can transform the agricultural sector. Furthermore, the new technologies can spill over to noncash crop growers, raising incomes in the whole community.

Encouraging large-scale, commercialized agriculture can bring benefits to smallholder farmers, especially if it strengthens links between the two groups and does not crowd out smallholders. A successful agricultural strategy will rely on the private sector for needed investments and know-how. Commercial agriculture brings new technologies, which can spread to all farmers in the area, large and small. Commercial farmers also subsidize infrastructure development, provide wage employment, and increase demand for products of the local nonfarm sector.

Contract farming brings improved seeds and production techniques to the farmers, provides input finance, and reduces the farmer's risk from greater specialization and uncertain markets and prices. The tobacco sector in Mozambique has shown that private extension services under these arrangements have a high rate of return. Note, however, that contract farming requires an appropriate regulatory framework that strikes a balance between protecting the farmer from a monopsonist and ensuring returns to the contracting company commensurate with the risk.

### ***Supporting Market Development and New Institutional Arrangements for Stronger Market Participation***

To enhance the efficiency of agricultural markets, investing in marketing infrastructure and rural services, improving access to information, and improving coordination mechanisms for key domestic food chains and export-oriented high-value supply chains will all be important.

Continuing investment in road infrastructure is important to open markets to commercial smallholders and to allow new investments to prosper, but complementary investments are also needed. With Mozambique's low population density, road infrastructure is important to the success of

commercial agriculture because underdeveloped transport and rural infrastructure services increase marketing costs substantially and prevent domestic and export markets from developing. In addition to the main national roads, a well-targeted program should focus on maintaining secondary and tertiary roads throughout the agricultural season.

Poor road access in many cases coincides with other bottlenecks, such as poor agroecology, low population density, weak services, and a lack of water and electricity. A well-targeted program needs to take into account the interactions with geographic, community, and household characteristics and consider complementary investments to ease those other constraints and maximize the effects of road construction and rehabilitation for market efficiency and household welfare. Funding and institutional arrangements (community-based maintenance contracts) need to be put in place to ensure the sustainability of road investments and maximize their long-term effect.

Access to market information and intelligence can improve competitiveness in the agricultural marketing systems, ensuring that farmers participate in a more level playing field in agricultural markets. Mozambique has had a public marketing information system in place since early 1990. The system has evolved in response to user needs, but sustainability has been a constant challenge. Decentralization to respond to the needs of users in regional spots has been taking place, and the use of technology is progressing. The system should be supported to provide timely information on prices for different transaction levels, distribution channels, competitors, and buyer and producer trends.

To help farmers meet the required standards in high-value chains linked to domestic, regional, and international markets, the market information systems should also provide and disseminate information on regulations, grades and standards, postharvest handling advice, and storage and transport recommendations. Public-private partnerships may be needed to accomplish this function. The continuing exploration and use of the Internet and the fast-growing cell-phone network in the country will aid in this process.

Stronger coordination mechanisms, including those for contract farming in key domestic food chains and export-oriented high-value supply chains, can improve smallholder participation in these markets. Their participation has so far been limited by their inability to meet quality standards, timeliness requirements, and economies of scale. Failures in credit and input markets complicate the problem.

Mutually beneficial contractual links between smallholders and large traders or processors in selected value chains are needed to support

smallholder market participation. Policy interventions in the agribusiness sector need to strengthen links between smallholders and the emerging supermarkets (and other traders) in urban areas, and processors and traders in export-oriented value chains. The effects will be maximized if policies are oriented toward improved efficiency and productivity of the entire value chain as opposed to focusing only on the crop production node of the system. Developing farmers' associations and supporting them so that more balanced outcomes are generated will help reduce the typically high transaction costs associated with contracting arrangements (and potentially rent-seeking behavior by agroindustrial firms and traders).

### ***Supporting Income Diversification through Wage Employment Opportunities***

Increased and more profitable rural wage employment and self-employment opportunities can help households improve and sustain their welfare levels. Although full-time formal nonfarm wage employment opportunities may not be widely available to most households in the near future (given the limited availability and growth of formal sector jobs in rural areas), income diversification into seasonal or part-time wage labor will remain crucial for reducing rural poverty. Mozambique may also wish to consider rural public works schemes to expand opportunities for the poorest farmers who cannot break out of the subsistence level. Past diversification of household income came from pull factors—from a dynamic rural economy. Some smallholders will not be able to modernize or commercialize or develop or stay profitable in off-farm activities. They have few assets and may lack adults in the household. Providing income-earning opportunities through community-driven public works programs could be an effective safety net for them.

Employment linkages in the farm sector are important in generating farm wage income for households, but its low returns and seasonal nature limit the extent to which it can sustain rural poverty reduction. Opportunities for farm wage labor can be expanded as a result of the expanded activity of larger farming households, such as commercial smallholders, or large private agricultural producers capable of generating employment for their poorer neighbors. Although this opportunity is important, especially for the asset poor, wages in agriculture tend to be low and seasonal, particularly for low-skilled labor working on small-scale farms. This situation points to the importance of supporting a more diverse and diversified agricultural sector of both commercial smallholders and well-managed large-scale farms.



## CHAPTER 4

# Government Expenditure Policies and the Poor

A key public policy goal in Mozambique is improving access to social services for the poor and excluded, especially those in remote areas. Many of these services are publicly provided, and all are at least partly publicly financed. The major government policy action toward this goal has been to increase public expenditures on service delivery. Donors have supported this strategy through direct financing of investment projects and through budget support for current expenditures. The result has been increased resources for key publicly provided services, such as health and education, in both real terms and share of public spending. More recently, public policy has focused on the efficiency of resource use and the quality of service provision. This expenditure policy underlay the first national poverty reduction strategy for 2001–05 (Plano de Acção para a Redução da Pobreza Absoluta; PARPA I), which identified four priority areas for public expenditure: education, health, basic infrastructure, and agricultural and rural development. The revised strategy for 2006–09 (PARPA II) increased the scope of targeted expenditure to add human immunodeficiency virus/acquired immune deficiency syndrome (HIV/AIDS), governance and judicial systems, and other priorities such as social action and labor and employment.



Public spending on service delivery in Mozambique has been growing rapidly, and the government has been effective in allocating resources to priority areas—and often to rural and underserved areas. Nevertheless, problems of weak capacity and poor infrastructure have occurred. Also, results have differed across sectors, with education showing outstanding achievements; water, fairly good progress; and health and extension, the least.

In education, the government has devoted substantial expenditures to increasing education access for underserved areas and excluded populations. Progress has been impressive for the first five grades of primary education (EP1) and less so for the next two grades (EP2). The number of schools and the enrollment numbers have increased greatly, with the enrollment of girls increasing significantly. Spending on EP1 was pro-poor, but with demand growing faster than infrastructure and the proportion of unqualified teachers and pupil-teacher ratios rising, quality is becoming an issue. The secondary education system suffers from poor supply, particularly in rural areas, and large gender gaps in access and outcomes.

In health, the distribution of health facilities is skewed toward urban areas, and although staff has increased, incentives remain poor. Outreach efforts have expanded preventive care, but poor and rural areas still fall behind urban areas in access. In general, poor women and rural residents seek less curative care. The greatest constraint to health care use is distance, especially for poor and rural households. Cash expenditures for health are generally low in absolute terms, but when compared with the relatively well-off, the poor spend a greater share of their incomes on health care. Education is an important determinant of health care use and child health care practices, especially in rural areas. Rural people, especially women, are less satisfied with the health system.

In extension, agricultural spending is poorly oriented toward the poor. Much of the spending that can be tracked is targeted at nonpoor budget items and away from the provinces, where most of the poor live. Agricultural extension has been given little attention and received limited funding, resulting in poor geographical coverage in a country with a low population density.

In water, coverage has increased, but regional and rural-urban gaps remain wide. Overall, room exists for improvement in meeting the needs of the population by reducing distance, increasing service provision, and improving quality.

To maximize the effects of public spending on the poor, the government needs to increase public spending on facilities and services used by

the poor and vulnerable, increase value for money in the public sector through improved quality of public services and better delivery systems, and improve systems to better monitor government expenditures and evaluate how effectively they are allocated to the poor.

- Increasing public spending in facilities and services used by the poor requires focusing on spending on the basics—such as education, health, and water supply infrastructure—particularly in rural areas, to reduce the distance and financial constraints for households. For health and extension, developing and running outreach services will ease those constraints.
- Increasing the value for money in the public sector requires improving the quality of public services through better-trained teachers, health workers, and extension personnel. It requires promoting public-private partnerships for better targeting and more effective results. It requires ensuring that decentralization contributes to effective targeting of the poor. Also, it requires identifying how public money can improve access to services and the quality of life of the poor and vulnerable.
- Improving systems to better monitor government expenditures and evaluate how effectively they are allocated to the poor requires increasing the accountability for public spending through strengthened public financial management systems. It requires evaluating resource flows (public expenditure tracking) and spending allocations (public expenditure reviews) and conducting regular and well-planned household surveys. Monitoring systems that evaluate strategies and monitor results should be based in program budgeting so that spending is linked to targets and outcomes.

### **The Structure of Public Expenditure**

Before 2000, Mozambique's public financial management was characterized by poor practices across every dimension. Accounting used antiquated systems. Budget coverage was poor. Expenditure outcomes were almost impossible to track. Cash management was fragmented and weak, and auditing ineffective. There was little transparency and accountability for the use of resources. One major reason was the government's weak capacity after the country emerged from years of civil war. Another reason was the inadequate legal basis for financial management, which has been corrected with a new financial management law in 2001 and the phased introduction in 2004 of a new integrated financial management system, Sistema de Administração de Fundos do Estado (SISTAFE).

Data on expenditures by sector before 1999 are unavailable, and data since then have severe deficiencies. Data have been available by functional classification since 1999 (such as wages or inputs), but data by spending unit (such as primary, secondary, or tertiary education) or by program (such as livestock services) are only now emerging. Thus, much donor financing—outside the government financial management system—was not tracked or included in sector spending estimates. This situation is being corrected through a concerted effort to include donor programs in government accounts and to have donors deliver their funding through the government budget, financing recurrent and capital costs.

Linking policy goals in PARPA to public expenditures, at both the budgeting and execution stages, is critical for assessing the efficiency and effectiveness of government resource allocation and management, but Mozambique is not yet able to do so in most sectors. The main exception is education, where data on expenditures by level of education have been available since 2002. The severe lack of data limits the scope of this analysis, especially for access to services by the poor. In the early 2000s, however, the government, along with the World Bank, made a major effort to track overall expenditures in the PARPA areas of emphasis. So budget transparency has improved in these areas, and some analysis is now possible. The government's main tools for tracking the consistency of expenditures with PARPA promises are annual reviews of budget outturns by sector. The government has committed in each PARPA to make sure that expenditures in all PARPA priority sectors are at least 65 percent of the budget.

Government spending has increased at least as fast as gross domestic product (GDP) since 1999, implying positive real growth. National accounts show government consumption per capita (current expenditures) growing 12 percent a year in 1997–2003. Although some of this growth included a large increase in government salaries, it also reflects a large increase in inputs devoted to providing publicly supplied goods and services.

Government spending in PARPA priority areas has been increasing as a share of total government expenditures, indicating that a large share of increased government funding over the past decade has gone to these sectors. The expenditure in priority areas as a share of GDP averaged 16 percent between 1999 and 2006, and the share in total government expenditures averaged 64.3 percent (table 4.1 and figure 4.1). The sectors most funded were education (averaging 20 percent of

**Table 4.1. Sectoral Expenditures as a Percentage of Total Expenditures, 1999–2006***percentage*

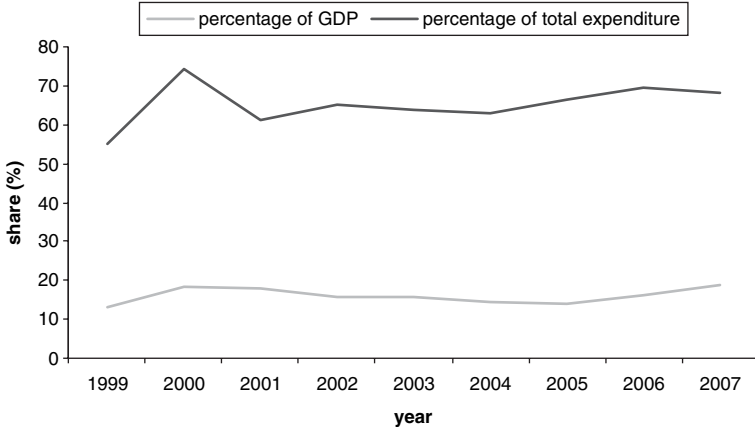
<i>Sector</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>
General administration	16.9	15.3	7.2	8.8	13.7	9.2	10.2	19.2
Education	14.4	21.7	21.7	15.9	21.5	21.8	20.4	19.9
Primary/secondary/technical	11.3	18.8	17.2	13.9	18.4	18.6	17.8	16.8
Higher education	3.1	2.9	4.4	2.0	3.2	3.2	2.6	3.1
Health	12.0	14.1	9.7	10.3	11.5	11.9	13.1	15.8
Health/general	12.0	14.1	9.2	9.5	11.2	11.5	12.1	14.3
HIV/AIDS	0.0	0.0	0.5	0.8	0.4	0.4	1.0	1.4
Infrastructure development	11.9	17.2	10.6	11.9	13.5	11.5	17.2	15.7
Roads	0.0	0.0	2.7	8.8	10.3	9.2	12.4	9.8
Water, sanitation, and public works	0.0	0.0	7.8	3.1	3.2	2.3	4.8	5.9
Agriculture and rural development	4.7	6.9	3.1	4.6	4.1	4.5	4.8	3.5
Governance and judicial system	7.9	8.6	7.2	8.0	9.4	10.1	8.8	9.2
Security and public order	5.8	5.8	4.7	4.9	5.6	5.9	4.9	4.2
Governance	0.5	1.0	1.1	1.4	1.4	1.5	1.5	2.8
Judicial system	1.7	1.8	1.4	1.7	2.4	2.7	2.4	2.3
Energy and mineral resources	3.4	4.4	2.1	2.4	2.9	2.4	2.3	0.4
Social action and labor and employment	1.0	1.7	1.2	1.2	1.2	1.1	0.9	1.1
Social actions	0.6	1.3	0.9	0.9	0.8	0.7	0.6	0.7
Labor and employment	0.4	0.4	0.3	0.3	0.4	0.4	0.4	0.4
Other sectors <sup>a</sup>	27.8	10.1	37.2	36.9	22.2	27.5	22.3	15.2
Total expenditure <sup>b</sup>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total expenditure as a percentage of GDP	24.1	25.5	31.7	27.5	23.6	22.2	24.6	28.8
Expenditure in PARPA priority areas as a percentage of total expenditure	55.2	74.5	61.2	65.3	63.9	65.0	63.0	66.3

**Sources:** MPF 1999, 2000, 2001, 2002, 2003, 2004b, 2005, 2006.

a. This group of sectors includes communications; recreation, culture, and religion; housing and community development; tourism; construction; and nonspecified expenditures. Given the difficulty of systematically reporting on these items individually, they are lumped into a single category.

b. Total expenditure excludes bank restructuring costs, net lending, and interest payments.

**Figure 4.1. Total Expenditure in PARPA Priority Areas as a Percentage of GDP and Total Expenditure, 1999–2007**



Sources: MPF 1999, 2000, 2001, 2002, 2003, 2004b, 2005, 2006.

total expenditures over the period), infrastructure (16 percent), and health (12 percent).

Although the government has mostly kept the PARPA total expenditure pledge, focusing on broad priority areas does not necessarily mean that spending has been pro-poor. For example, if most education spending is allocated to tertiary education, the poor will not benefit because they tend not to be enrolled in tertiary education. The next sections attempt a more detailed spending analysis, using household survey data to map expenditures to the use of services by the poor and comparing spending with the poor's perception of the effectiveness of service delivery. The higher quality of data for education means that the analysis is most complete for this sector. Expenditure data for health are not separated by type of health care provided and are thus less complete. Other sectors suffer from similar problems.

## Education

General education in Mozambique has four levels, two for primary and two for secondary. EP1 covers the first five years of primary education (ages 6–11, or grades 1–5) and is the level most commonly attended. EP2 covers the next two years (ages 12–13, or grades 6–7). EP1 and EP2 schools may be located together, but in rural areas the largest number of schools covers only EP1. ES1 covers ages 14–16 (grades 8–10), and ES2

ages 17–18 (grades 11 and 12). Secondary school may take a variety of forms: general, which is the most common, and technical, which includes agriculture, teacher training, and the like.

In 1997, the government faced an enormous education deficit. Very high absolute poverty and difficulties in access caused enrollments to plummet during the civil war, rebounding only since 1997. Gross enrollment in primary school was only 50 percent, and net enrollment was below 40 percent. Infrastructure was in very poor shape, and schools were absent in many rural areas. Schools often lacked inputs (teachers, books, supplies, and the like). Many teachers were not qualified.

### ***Government Policy and Spending Patterns***

Government policy since the end of the civil war has been to provide quality education for all, but until now it has focused mostly on primary education. The government emphasizes the goal of universal primary education (EP1 and EP2) by expanding the infrastructure network and improving the efficiency of resource use. This goal was spelled out in both PARPAs and in the later Education and Culture Strategic Plans, the most recent covering 2006–11. The strategy has increasingly focused on reducing regional and gender differences in access and outcomes. Approved in 2006, the 2006–11 Education Sector Strategic Plan seeks to expand access to basic education throughout Mozambique, improve the quality of education, and strengthen the institutions and the framework to achieve those goals. It intends to develop a balanced system that will sustain growth in the sector.

Since 2000, the government has attempted to meet this goal through high expenditure on primary education, devoting an average of 20 percent of revenue—about 5 percent of GDP—to education. Spending on education as a share of total public expenditure has been fairly constant, but it fell to 4.4 percent of GDP in 2002 because of an overall budget reduction. In 2006, expenditures climbed back to the trend level, reaching the average for Sub-Saharan Africa. Since 2002, primary education has received more than 50 percent of the education budget, and secondary roughly 14 percent, with a slight trend toward a larger share of the budget for secondary education to meet higher demand (see appendix table 4.2 on the accompanying CD-ROM). Although total primary education expenditure (current and capital) is high, Mozambique is still unable to reach the Education for All benchmark of 3.5 percent of GDP.<sup>1</sup>

Since 2003, government policy has focused on lowering the cost of primary education and ensuring that a higher proportion of expenditures

reach children. Three major primary education financing and curriculum measures were introduced:

- *Abolition of primary school fees:* In 2004, the government issued a ministerial decree abolishing the Acção Social Escolar (School Social Action) and all other fees and levies in primary education, beginning in the 2005 school year. This decree still allows parents, communities, and others to contribute in cash or in kind on a strictly voluntary basis.
- *Direct support to schools:* Following the abolition of primary school fees, direct support to schools was used to compensate for the loss of discretionary budget at the school level. The objective of such a transfer is twofold: (a) to procure basic teaching and learning materials to enhance the quality of education and (b) to strengthen the school management capacity as part of the decentralization process. The program provided approximately US\$0.50 per term per primary student in 2004 directly to all primary schools in Mozambique. The funds were used for nonsalary expenses, including purchasing essential teaching and learning materials and repairing school buildings. The allocation per student has increased each year.
- *New primary school curriculum and free primary textbooks:* A new primary curriculum was implemented in 2004. It required that 20 percent of the curriculum be decided at the provincial or district level and organized the curriculum into three main blocks (grades 1–2, grades 3–5, and grades 6–7). It created a semiautomatic promotion evaluation system with automatic promotion within each block but promotion between blocks based on school exams. It allowed the possibility of teaching in the native tongue for grades 1 and 2. Textbooks for all primary subjects are also supposed to be free for every student.

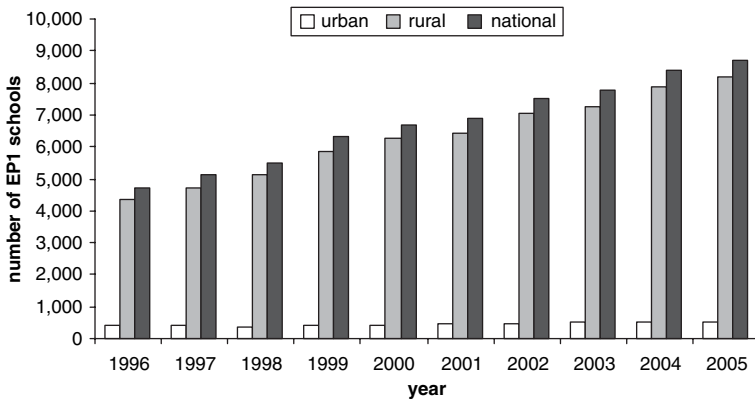
The Ministry of Education and Culture (MEC) and donors are assessing the effects of these policy changes on school quality, school expenditure management, and enrollments among poor and underserved groups.

Expenditure increases have greatly expanded infrastructure and staff, especially at the EP1 level and in rural areas. Between 1996 and 2005, the number of public schools at the EP1 level almost doubled. The focus was on rural areas, with an increase in the number of schools of about 88 percent over the period; urban areas saw only a 32 percent increase (figure 4.2). The number of EP2 schools also increased

significantly—from 94 to 383 in urban areas and from 218 to 1,211 in rural areas (figure 4.3). The populous central region of the country received a very large increase (see appendix table 4.3). The number of teachers hired over the period also increased significantly, but the proportion of qualified teachers has been decreasing (figure 4.4; see appendix table 4.5).

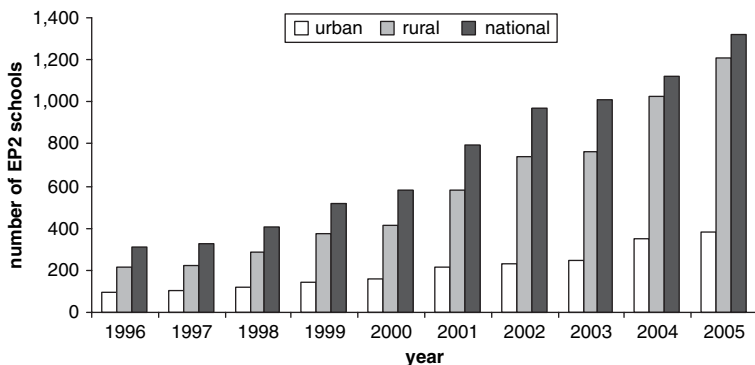
Infrastructure improvements have not kept up with surging demand, especially in underserved areas. Overall, pupil-teacher ratios are on the rise, particularly in rural areas and in the northern and central provinces. Pupil-teacher ratios in EP1 increased from 54 pupils per teacher in 1992

**Figure 4.2. Number of EP1 Schools in Urban and Rural Areas, 1996–2005**



Source: MEC database.

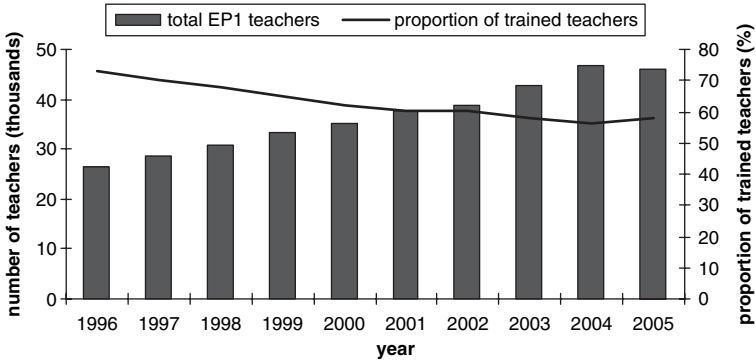
**Figure 4.3. Number of EP2 Schools in Urban and Rural Areas, 1996–2005**



Source: MEC database.

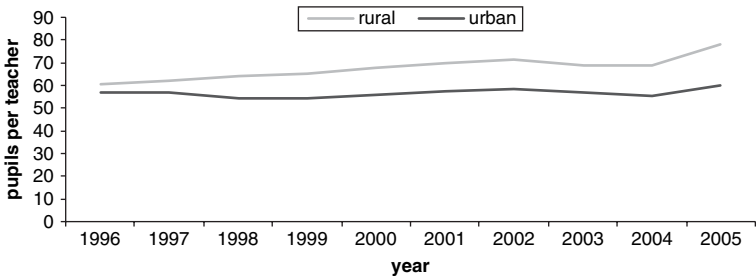


**Figure 4.4. Total Number of Teachers and Proportion of Trained Teachers in EP1, 1996–2005**



Source: MEC database.

**Figure 4.5. Pupil-Teacher Ratios in EP1 Rural and Urban Areas, 1996–2005**



Source: MEC database.

to 74 in 2005 (see appendix table 4.5). Although more teachers have been hired, the ratio is still very high in the northern provinces—where the poverty rate is highest and average spending per pupil is low—but falling in the southern provinces (see appendix table 4.7; UNICEF 2006). Ratios in EP2 started lower than those in EP1 but are trending upward as well (see appendix table 4.5). Pupil-teacher ratios are generally higher in rural areas (figure 4.5). This pattern indicates that in the face of major bottlenecks, richer areas (the southern and urban areas) and schools used more by the middle class (EP2) received more benefits from the infrastructure expansion.

### Access to Education Services

Enormous progress has been made in increasing enrollment rates and closing gaps for EP1, but the results are far less impressive for EP2 and secondary school, with large differences based on gender, province, rural-urban location, wealth, and age. MEC data show that gross and net enrollment rates for EP1 have been growing very rapidly. Net enrollment in EP1 went from 40 percent to 83 percent in 10 years.<sup>2</sup> Net enrollment rates for EP2 are abysmal. Only 7 percent of students who should be going to EP2 at age 11 do so. One reason is that students start primary school late and may have to repeat. (Note in figure 4.6 the low enrollment rate of children at age six compared with age eight.) If this situation was the main explanation, however, gross enrollment should be over 100 percent. It was only 42 percent in 2004, jumping to 47 percent in 2005 (the first year of the free primary education program, which does seem to be raising enrollment). This finding means that fewer than half of Mozambique's children are finishing seven grades of school (table 4.2; see appendix tables 4.7 and 4.8).

Despite some progress, differences in enrollment between girls and boys remain—particularly in the northern provinces. Gender parity in enrollment has already been achieved in the southern provinces (see appendix table 4.9). Differences are greater in rural areas. Girls start school at a later age than boys, especially in rural areas where the distances may be longer. After age seven, however, girls have a slightly higher enrollment probability than boys in rural areas, but it decreases fast with age, starting at age 10 (World Bank 2005d). The combination of the late start and the fact that girls drop out of school earlier than boys, especially in rural areas, leaves girls with less schooling (see appendix table 4.10).

**Figure 4.6. Enrollment of Boys and Girls, by Age, 2003**



Source: IAF data for 2003.

**Table 4.2. Gross and Net Enrollment Rates, by Education Level, 1996–2005***percentage*

<i>School year</i>	<i>Gross enrollment rates</i>				<i>Net enrollment rates</i>			
	<i>EP1</i>	<i>EP2</i>	<i>ES1</i>	<i>ES2</i>	<i>EP1</i>	<i>EP2</i>	<i>ES1</i>	<i>ES2</i>
1996	67.5	18.5	5.9	1.6	39.3	2.2	1.3	0.3
1997	73.8	19.6	5.8	0.7	42.5	2.2	1.4	0.2
1998	78.6	21.0	6.0	1.6	45.1	2.5	1.3	0.5
1999	85.3	22.4	6.3	1.4	50.1	2.5	1.4	0.2
2000	92.1	25.3	7.6	1.5	54.7	2.7	1.7	0.2
2001	101.2	29.2	8.5	2.0	61.1	3.3	1.9	0.3
2002	106.5	32.9	10.6	2.4	64.1	3.6	2.3	0.4
2003	112.7	36.9	12.0	2.9	69.4	4.5	2.7	0.5
2004	121.2	42.7	13.8	3.4	75.6	5.6	3.0	0.5
2005	131.3	47.0	17.0	3.7	83.4	6.7	3.9	0.6

*Source:* MEC database.

Enrollment patterns show that household income is strongly correlated with whether children attend school. In all wealth quintiles, both girls' and boys' enrollments increase until age 10–11, when the percentage of all children enrolled sharply decreases (see appendix table 4.11). Enrollment rates are highest in the top quintile, and the smallest difference between boys and girls is found in the richest quintile. The pattern suggests that children are leaving school to work.

Besides gender and age, having two parents matters for enrollment rates. Orphans have a lower probability of being enrolled in school, and children with better-educated and wealthier parents have a higher probability (Handa, Simler, and Harrower 2004; World Bank 2005d). The probability of being enrolled decreases if the child is not the child of the household head or spouse (Nhate 2005; World Bank 2005d). School fees or other costs were not found to affect the chances of a child's being enrolled, but this variable was very poorly measured in the household survey, so no firm conclusions can be drawn.

Despite infrastructure improvements, long distances to school seem to be most important in reducing parents' willingness to send their girls to school. The probability that a child goes to school sharply decreases as the time needed to get there increases. The presence of a school in the village increased the enrollment of girls from poorer households (Handa, Simler, and Harrower 2004). One reason is parental concern for the child's safety, especially younger children. Another is the time that the commute takes away from household tasks. Distance to water also negatively affects the probability of girls being enrolled in primary school in

rural areas. This correlation indicates sensitivity among poor parents to the high opportunity cost of sending their children to school.<sup>3</sup>

### ***Efficiency in the Education Sector***

Quality appears to be getting worse, again especially in underserved areas. Higher pupil-teacher ratios and more unqualified teachers usually indicate that quality is dropping. Another indicator is repetition and dropout rates—also on the rise. In 2003, only 37 of 100 students who started grade 1 reached grade 5. Again, the northern provinces had the lowest completion rates and the widest gender gaps.

Despite improvements in educational outcomes in recent years, actual completion and dropout rates do not display the same success. As shown earlier, the level of access to primary school has increased impressively in recent years, but the share of pupils actually completing first-cycle primary school (EP1) remains low (table 4.3). Dropout rates have fallen but remain high, making the relatively good access rate to primary school much less significant. The poor rates of survival of pupils through the successive grades mean that, even though initial access is fairly good, the EP1 completion rate is low.

Large variations occur in completion and dropout rates among regions and by gender. Although improvements can be seen across the country, Maputo province and city continue to show the best outcomes, whereas

**Table 4.3. EP1 Completion and Dropout Rates, by Province, 1997 and 2003**  
*percentage*

<i>Province</i>	<i>EP1 completion<sup>a</sup></i>		<i>EP1 dropout</i>	
	<i>1997</i>	<i>2003</i>	<i>1997</i>	<i>2003</i>
Niassa	62.0	61.7	17.9	19.5
Cabo Delgado	57.9	64.5	19.6	19.1
Nampula	59.1	64.9	18.7	17.0
Zambezia	51.0	57.3	26.8	20.5
Tete	61.0	68.7	24.1	14.8
Manica	62.7	67.9	14.3	11.8
Sofala	67.8	73.2	11.0	10.7
Inhambane	63.5	68.0	14.2	10.7
Gaza	60.1	67.7	16.6	13.2
Maputo province	60.6	75.3	15.5	8.8
Maputo city	64.2	76.3	11.3	5.9
Average for all provinces	60.6	67.5	17.1	13.8

*Source:* MEC database.

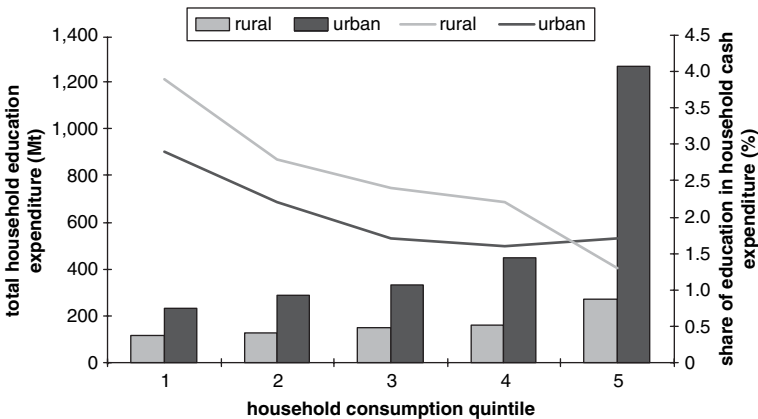
a. EP1 (primary grades 1–5) completion: the data present modified completion rates, meaning the enrollment in the final year of the cycle, regardless of age, expressed as a percentage of the segment of the population that is at the age corresponding to the official age for graduation.

central and northern regions lag behind. Nearly universal access and completion in first-cycle primary education characterize Maputo city, although universal access and completion remain elusive, particularly in the north, but also in the center—regions that performed the best in terms of monetary poverty reduction. By 2003, completion rates in every province were lower among girls. Nationwide completion rates were only 32 percent for girls compared with 48 percent for boys.

**Implications for the Poor**

Household education expenditures increase with overall consumption but fall as a share of total cash expenditures, indicating that poor households are having a harder time paying for their children’s education. In all provinces and across urban and rural areas, total education expenditures increase with wealth levels—richer households spend more on education (see bars in figure 4.7). However, education expenditure as a share of total cash expenditure—a measure of the (potential) difficulty of households to support education costs—decreases with levels of income (see lines in figure 4.7). The level of hardship is much stronger in rural areas where poverty is more severe, indicating that high opportunity costs of household labor can lead to reduced enrollment and to high dropout and low completion rates.<sup>4</sup>

**Figure 4.7. Total Household Education Expenditure and Share of Education Expenditure in Total Cash Expenditure, by Area of Residence, 2003**



Source: IAF data for 2003.

The poor use the education system less than the rich, and thus get less from government expenditures.<sup>5</sup> By calculating a cost per student using enrollment per quintile in each level, the benefit that each quintile receives from education expenditures can be calculated. Across the education sector, 35 percent goes to pupils in the richest quintile, while the remaining 65 percent is distributed more or less equally among the four lower-consumption quintiles (table 4.4).<sup>6</sup>

Primary education expenditures—half of government education expenditures—are reaching the poor, but the rest of government expenditures on education are not. All government expenditures are reaching more boys than girls. The increase in enrollments has translated into increased use of the education system by poor households. As a result, primary education expenditures (and adult literacy) are fairly equally distributed across the quintiles. Secondary education increasingly benefits richer quintiles because they can access it—especially the richest quintile, which receives nearly 40 percent of secondary education spending. Rising costs with rising education level mean that good results of poorer students at the primary level are overshadowed by their low access to higher education levels. Technical and vocational education, which costs two to three times as much as general secondary education, is even more concentrated among richer households and on boys. More than 60 percent of teacher training benefits the richest quintile. For higher education, 85 percent of expenditures go to the richest quintile. Expenditure equity can be improved by better efforts to increase access for the poor, such as bringing schools closer to communities, lowering costs, and improving quality and efficiency—in terms of both retention and completion rates in primary and secondary education. Table 4.5

**Table 4.4. Benefit Incidence: Education Expenditure Allocation by Quintile, 2003**  
*percentage*

<i>Education type</i>	<i>Distribution across quintiles (from household survey)</i>				
	<i>Lowest</i>	<i>2nd</i>	<i>3rd</i>	<i>4th</i>	<i>Highest</i>
Primary education	21.8	20.6	19.6	19.5	18.5
Secondary education	12.8	13.6	17.2	17.8	38.6
Technical and vocational education	5.2	6.0	14.7	13.6	60.4
Adult literacy	18.1	17.8	26.3	21.1	16.8
Teacher training	5.3	16.2	10.3	5.4	62.8
Higher education	5.0	3.1	4.2	2.2	85.5
Total education	16.7	16.0	16.1	15.6	35.6

*Source:* IAF data for 2003.

**Table 4.5. Benefit Incidence: Expenditure Allocation by Quintile and Gender, 2003**  
*percentage*

Quintile	All public schools			Primary school (EP1 + EP2)			Secondary school (ES1 + ES2)		
	Boys	Girls	Difference	Boys	Girls	Difference	Boys	Girls	Difference
Lowest	11.3	9.6	1.7	11.9	9.9	2.0	7.7	5.1	2.6
2nd	11.0	8.8	2.2	11.6	9.1	2.5	8.3	5.2	3.1
3rd	10.6	9.0	1.6	10.8	8.8	2.0	10.6	6.6	4.0
4th	10.3	9.1	1.2	10.5	9.1	1.4	10.7	7.0	3.7
Highest	10.7	9.6	1.1	9.6	8.8	0.8	22.5	16.1	6.4
All	53.9	46.1	7.8	54.4	45.7	8.7	59.8	40.0	19.8

*Source:* IAF data for 2003.

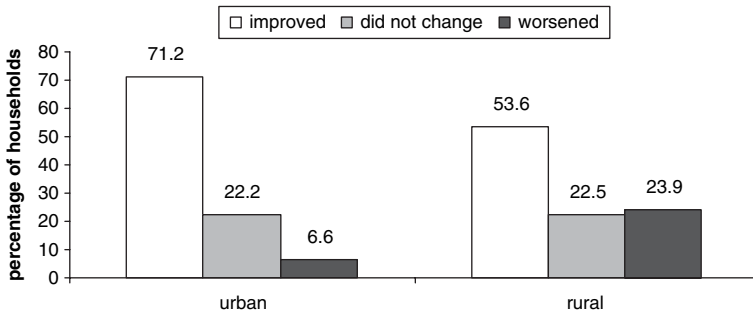
shows how all government expenditures are reaching more boys than girls, with the differences increasing at higher education levels.

### ***Perceptions on Changes in the Education Sector***

Satisfaction with education is generally higher among the urban population. More than two-thirds of urban households—but only about half of those in rural areas—perceived an improvement in education during 2001–06. Actually, in rural areas almost a quarter of households perceive that conditions have worsened. In urban areas, only about 7 percent perceive it that way (figure 4.8). Female-headed households in rural areas express the most dissatisfaction (see appendix table 4.16). Whereas better-off households in urban areas express more satisfaction, the poorest tercile households in rural areas complain the least about recent developments (see appendix table 4.17).

The chief reason for perceived improvement in the education sector in both urban and rural areas was the expansion of the school network. About 67 percent of urban households and 62 percent of rural ones indicate that expansion of the network is the main reason they perceive improvements in the education sector. The increase in teachers was listed as important only in urban areas, with improved curricula much more important in rural areas (see appendix table 4.17). This response may reflect policy changes that allow more room for locally relevant topics in school curricula in those areas.

As expected, the main reasons for the perceived worsening in the education system were distance to schools (reflecting low school density) among rural respondents and corruption and bribes among urban respondents. Distance (lack of schools) was explicitly referred to by 38 percent of rural respondents. In urban areas, lack of schoolbooks was also a major factor (29 percent of respondents). Although this problem was not cited

**Figure 4.8. Perceptions of Change in the Education Sector, by Area, 2006**

Source: Poverty and Vulnerability Survey 2006.

Note: Sample is not representative.

in rural areas, other evidence suggests that rural areas also face serious constraints in the availability of teaching materials, despite those areas being dominated by primary schools that benefit from the free book policy. Lack of teachers is more of a concern in rural areas (12 percent) than in urban areas (8 percent), consistent with the higher pupil-teacher ratios in rural areas (see appendix table 4.18).

Poor households also cited local-level nuisance regulations as obstacles to attending school. For example, many municipalities impose a bicycle tax. Parents complain that students biking to school are harassed by police demanding payment of the tax. Parents are especially concerned about girls. This tax yields very little revenue. With distance being a major impediment to access, enforcing a tax that reduces access seems counterproductive.

## Health

The system of health care service delivery in Mozambique has three parts: hospitals (central, provincial, and district), health centers, and health posts. By 2005, the country had 46 hospitals (11 of which were central), about 775 health centers, and 435 health posts (see appendix table 4.19). The public system is complemented by a very small urban private system and a system of traditional village healers.

### **Government Policy and Spending Patterns**

The government's aim is a healthy population through improved and equitable access to basic health care, especially for the poor. Government policy statements, including both PARPAs, point to the health sector as an important contributor to human development and to poverty

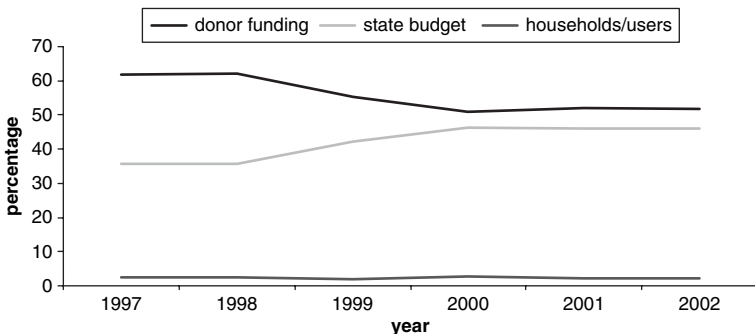


reduction—both directly and indirectly. The PARPA II core objective in the health sector is to improve the health status of the population, especially the most vulnerable groups, through an equitable allocation of resources that prioritizes poor and vulnerable groups and expands the health network to target areas that have been less favored. It also stresses the need to improve the quality of health services (GoM 2005).

Expenditures in health as a share of total expenditures have been uneven but rising recently. Overall, the trend in health expenditures is hard to follow. A significant share of expenditures is funded by donors, including vertical programs (figure 4.9). In 2000, poor financial management resulted in the Ministry of Health spending only 80 percent of its budget allocation. Better expenditure management, more donor funding, and greater allocations for HIV/AIDS have boosted expenditures in real terms and as a share of the total government budget, but Mozambique’s expenditure per capita is lower than that of neighboring countries (see appendix table 4.20). Mozambique has yet to reach the World Health Organization target of US\$10 per capita per year.

In 2002, leakages occurred from the provincial to the district level, and persistent regional inequalities existed in resource allocation. In 2002, the government conducted an Expenditure Tracking and Service Delivery Survey, revealing poorly kept financial records—incomplete for nearly half the sampled districts. Moreover, allocation and execution data at the provincial level were inconsistent. Leakages were evident in the distribution of drugs from provinces to districts. Also apparent were considerable confusion, poor transparency, and little control in user payments, cost recovery in consultation, and drug charges (Public Expenditure

**Figure 4.9. Health Expenditure Shares, by Source, 1997–2002**

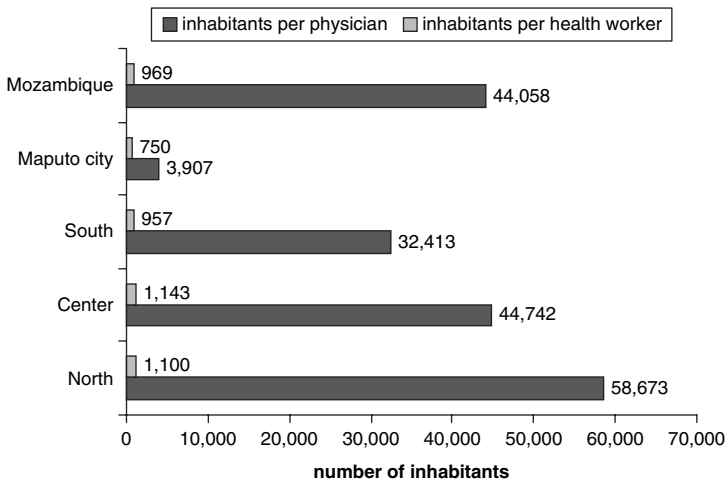


Source: Ministry of Health (MISAU) data for 1997–2002.

Tracking Survey; MPF and MISAU 2004; World Bank 2004).<sup>7</sup> Since this survey, major efforts have been undertaken to improve financial management. A follow-up survey is warranted after implementation of the new budget system is initiated.

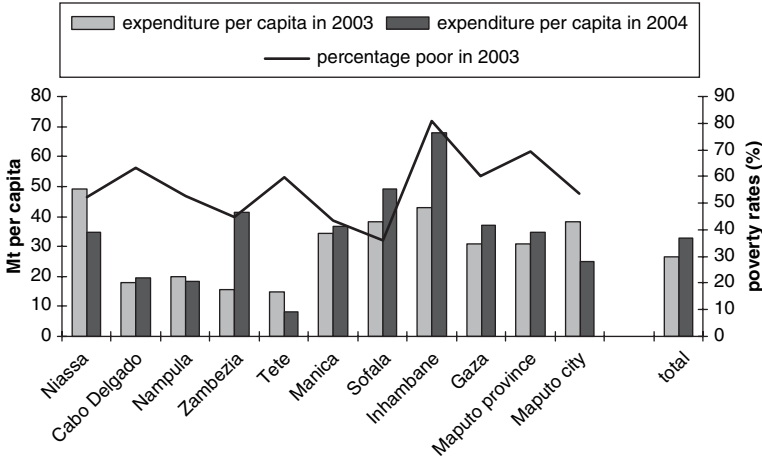
Health facilities and health staff have increased, but the sector remains understaffed, and distribution is skewed toward urban areas. In 2003, there were about 100 health workers per 100,000 people and 3.8 physicians (national and expatriate) per 100,000 people. Mozambique has one doctor for every 44,000 inhabitants, similar to Malawi but worse than Zambia (one doctor per 11,000 inhabitants) and the Sub-Saharan average of one doctor per 22,000 inhabitants in 2003. There were about 20 nurses per 100,000 people in 2003. In parallel with the expansion of the health facility network, the past three years saw a 4.2 percent increase in the number of staff. Human resources in health are concentrated in the urban areas. Only 3 percent of the physicians work in rural areas, and more than half the country's 712 doctors work in Maputo city. Auxiliary nurses and midwives are well distributed regionally: 60 percent of auxiliary nurses and 68 percent of auxiliary midwives work in the rural areas (World Bank 2006a). Figure 4.10 illustrates the regional differences with respect to the number of inhabitants per physician and per health worker. Bringing the health facilities closer to the people requires increasing the

**Figure 4.10. Number of Inhabitants per Physician and per Health Worker, by Region, 2003**



Source: MISAU 2004.

**Figure 4.11. Health Expenditure per Capita and Poverty Incidence, by Province, 2003 and 2004**



Sources: Expenditure data from MISAU 2003 and 2004 (Despesa Justificada); percentage poor from IAF data for 2003.

number of facilities. Addressing this issue goes to the heart of structural issues in the sector, including the affordability and cost-effectiveness of the model of primary health care being implemented in Mozambique, the preferences of health professionals, and the incentives they are offered.

Given the inequalities in facilities, health expenditures are distributed unequally across provinces. In general, health expenditures per capita are lowest in the northern provinces and highest in the southern and central ones (figure 4.11). Although equity is a guiding principle in the health sector, resources per capita vary substantially even between districts. Inequities exist for all types of resources, including drugs, equipment, and staff. One reason is that the southern provinces have more facilities per person. The north has almost twice as many people per health center as the south.

**Access to Health Services**

Physical access to health care service is still a large problem in rural areas. Poor people and rural dwellers who live closer to a health facility and who have more education are more likely to use health care. Rural residents are 50 percent less likely to seek care when they are ill than are urban dwellers.<sup>8</sup> More than half of rural women, but only 23 percent of urban ones, who had been sick report distance as the main reason for not

seeking care (see appendix table 4.24). Even higher-income households in rural areas report distance as a major constraint. The importance of distance is confirmed by multivariate analysis with the 1997 and 2003 Household Survey (IAF) data. Primary education has strong positive effects and distance has strong negative effects on use of curative health care. The positive effects of primary education are strongest for rural and poor groups. The negative effects of distance are strongest for rural and poor areas, where less transportation is available or roads are in worse condition.<sup>9</sup>

Both preventive care and curative care have seen improvements in use, but improvements were less impressive for curative care.<sup>10</sup> Although inequality in the use of preventive care is falling, inequality is increasing in the use of curative care, with households that are poor, rural, and in the northern provinces still showing much lower use (see appendix tables 4.24 and 4.25). Access to health care is clearly a problem, with only 57 percent of people who reported being sick in 2003 using formal health care facilities for treatment. The most substantial increase in treatment-seeking behavior between 1997 and 2003 was in the richest quintile, indicating lingering inequality (see appendix table 4.27). By contrast, in preventive and home care, the poorest quintile saw the largest changes (see appendix table 4.25). A regional gap remains for both types of health care, with better health service use in the south than in the north. Use of curative health services is worsening in some provinces (for example, Niassa and Tete show a drop in medical treatment for diarrhea and acute respiratory infections between 1997 and 2003). This trend is distressing because many common diseases, especially among children, can be cured by simple health treatments, such as prescription drugs.

Efforts have been especially strong to improve maternal and child health care in the northern and central provinces, where health outcomes are lower. Overall, live births attended by skilled health care personnel and vaccination coverage are increasing, especially in the northern and central provinces (table 4.6).

Higher incomes increase the probability that people use health facilities. Income positively affects the likelihood of seeking care in the poor group, while it has no effect in the nonpoor group, but it is less important when the magnitude of its effect is compared with the effects of education and distance. User fees are also a greater constraint for rural residents, perhaps resulting from a seasonal cash shortage. Rural residents still rely heavily on traditional healers, whereas urban residents rely more on the formal health system.

**Table 4.6. Number of Live Births Attended at Health Facility and Vaccination Coverage, by Province, 1997 and 2003***percentage*

<i>Province</i>	<i>Live births attended at public health facility</i>			<i>Children 12–23 months fully vaccinated</i>		
	<i>1997</i>	<i>2003</i>	<i>Change</i>	<i>1997</i>	<i>2003</i>	<i>Change</i>
Niassa	44.4	45.9	1.5	48.2	46.6	-1.6
Cabo Delgado	31.0	29.6	-1.4	25.4	57.9	32.5
Nampula	28.5	36.8	8.3	34.4	53.9	19.5
Zambezia	23.5	32.6	9.1	23.2	44.7	21.5
Tete	41.0	47.4	6.4	48.0	55.0	7.0
Manica	43.0	55.7	12.7	46.5	61.6	15.1
Sofala	35.4	51.4	16	49.6	63.9	14.3
Inhambane	56.3	49.6	-6.7	71.7	90.6	18.9
Gaza	65.7	62.6	-3.1	63.0	82.3	19.3
Maputo province	75.7	84.8	9.1	61.9	92.5	30.6
Maputo city	86.5	88.2	1.7	82.0	91.3	9.3
Rural	33.3	33.8	0.5	36.4	56.0	19.6
Urban	81.3	80.6	-0.7	85.0	80.5	-4.5
Total	43.7	47.4	3.7	47.3	63.3	16.0

*Sources:* DHS data for 1997 and 2003.

### **Health Outcomes**

Health outcomes show large variations, geographically and by income group. The infant and child mortality rates remain among the highest in the world and higher than those in most neighboring countries (table 4.7), although they have been declining steadily in recent years, by 15 percent and 18 percent, respectively. Urban areas and the south generally perform much better. Indeed, although rural areas experienced greater declines in both infant and child mortality, the urban-rural gap remains large. Moreover, Cabo Delgado and Manica saw increases in both infant and child mortality, while Maputo city and Niassa experienced an increase in infant mortality (table 4.8). In Cabo Delgado and Maputo city, poverty increased by more than 10 percent, which could help explain the increase in mortality rates, but in both Manica and Niassa, poverty fell by about 29 percent.<sup>11</sup>

Although health status improved for all income groups, the gap between the health status of the richest and poorest remains significant. Even though reductions in infant and child mortality rates in the poorest quintile outpaced improvements in the richest quintile, infant mortality rates remain more than twice as high for the poorest as for the richest.

Even with strong consumption growth in recent years, malnutrition rates remain very high. Malnutrition rates in Mozambique are high in

**Table 4.7. Regional Comparison of Welfare Indicators**

<i>Region</i>	<i>Infant mortality<sup>a</sup></i>	<i>Severe stunting<sup>b</sup></i>	<i>Female malnutrition<sup>c</sup></i>	<i>HIV/AIDS prevalence (%)</i>
<i>Malawi (2002)</i>				
Average	112.5	24.4	8.8	14.1
Rural-urban ratio	1.4	1.9	1.7	—
Low-high ratio	1.5	2.9	1.7	—
<i>Mozambique (2003)</i>				
Average	123.6	17.9	8.1	16.2
Rural-urban ratio	1.4	2.2	1.6	—
Low-high ratio	2.0	4.2	2.0	—
<i>Tanzania (2004)</i>				
Average	82.5	12.3	9.4	6.5
Rural-urban ratio	1.2	1.84	1.3	—
Low-high ratio	1.4	4.70	1.6	—
<i>Uganda (2002)</i>				
Average	89.4	23.8	10.4	6.7
Rural-urban ratio	1.7	2.2	2.5	—
Low-high ratio	1.8	1.4	3.1	—
<i>Zambia (2002)</i>				
Average	93.9	22.1	15.0	17.0
Rural-urban ratio	1.3	1.7	1.54	—
Low-high ratio	2.0	2.2	2.1	—

**Sources:** Gwatkin and others 2007; HIV/AIDS data are from UNAIDS and WHO 2006c and are for 2005.

**Note:** — = not available.

a. Infant mortality is the number of deaths in children under 12 months of age per 1,000 live births, based on experience during the 10 years preceding the survey.

b. Severe stunting (height for age) is the percentage of children 3 years of age (varies by survey), with a height-for-age Z-score of below -3 standard deviations of the median reference standard for their age.

c. Female malnutrition is the percentage of women 15–29 years of age with a body mass index of less than 18.5, defined as weight in kilograms divided by square of height in meters. The low-high ratio is highest quintile/lowest quintile.

absolute terms, although not as high as in some neighboring countries. Even so, the persistence of high malnutrition in Mozambique remains puzzling given the high consumption growth in recent years. The rates for stunting (long-term chronic malnutrition) are especially troubling, particularly in rural areas and in northern and central provinces. Wasting (short-term, or acute, malnutrition) is also present, although to a much smaller extent than stunting. For wasting, however, regional disparities can be quite bewildering. For example, Sofala had the lowest poverty rates in 2003 but the highest prevalence of wasting and the fifth-highest percentage of stunting. Much like the other health outcomes, differences in children's nutritional status between the poorest and richest quintiles are striking and significantly higher than in neighboring countries. Rates for

**Table 4.8. Selected Social Outcome Indicators**

	<i>Life expectancy</i> <i>(years)</i>		<i>HIV/AIDS</i> <i>prevalence (%)<sup>a</sup></i>		<i>Infant mortality</i> <i>(per 1,000 live births)</i>		<i>Under-five mortality</i> <i>(per 1,000 live births)</i>		<i>Under-five</i> <i>stunting (%)<sup>b</sup></i>	<i>Under-five</i> <i>wasting (%)<sup>c</sup></i>
	1997	2005	2000	2004	1997	2003	1997	2003	2003	2003
All	42.3	47.1	11.0	16.2	147	124	219	178	41.0	4.0
<i>Area</i>										
Urban	48.8	50.8	—	—	101	95	150	143	29.2	3.1
Rural	40.2	45.7	—	—	160	135	237	192	45.7	4.3
<i>Province</i>										
Niassa	42.2	45.1	6.2	11.1	134	140	213	206	47.0	1.3
Cabo Delgado	37.9	42.4	7.5	8.6	123	177	165	240	55.6	4.1
Nampula	39.9	44.4	4.8	9.2	216	164	319	220	42.1	6.0
Zambezia	37.0	48.6	10.0	18.4	129	89	183	123	47.3	5.2
Tete	43.8	44.3	16.3	16.6	160	125	283	206	45.6	1.6
Manica	42.7	46.5	17.3	19.7	91	128	159	184	39.0	2.8
Sofala	42.2	44.8	20.6	26.5	173	149	242	206	42.3	7.6
Inhambane	46.0	49.6	7.8	11.7	151	91	193	149	33.1	1.3
Gaza	45.6	49.0	12.6	19.9	135	92	208	156	33.6	6.7
Maputo										
province	50.6	54.0	14.4	20.7	92	61	147	108	23.9	0.5
Maputo city	58.3	58.6	13.5	20.7	49	51	97	89	20.6	0.8
<i>Quintile</i>										
Poorest	—	—	—	—	188	143	278	196	49.3	5.6
Poorer	—	—	—	—	136	147	214	200	46.7	4.3
Middle	—	—	—	—	144	128	216	203	46.2	3.0
Richer	—	—	—	—	134	106	187	155	35.2	3.9
Richest	—	—	—	—	95	71	145	108	20.0	2.5

**Sources:** Health data are taken from DHSs for 1997 and 2003; IAF data for 1997 and 2003.

**Note:** — = not available.

a. HIV/AIDS prevalence is the percentage of adults, ages 15–49, with HIV/AIDS.

b. Stunting (height for age) is the percentage of children under age 5 who are below –2 standard deviations from the median of the International Reference Population (not comparable to 1997).

c. Wasting (weight for height) is the percentage below –2 standard deviations (not comparable to 1997).

both stunting and wasting are more than twice as high for children in the poorest households as for children in the richest quintile.

Despite the growth in real consumption across most of the country, chronic malnutrition did not improve accordingly; it even worsened in rural areas and some provinces. Sofala and Zambezia—two provinces with the highest growth in consumption and reduction in income poverty—both saw increases in stunting.<sup>12</sup> In the south—which saw low reductions or even increases in poverty—stunting rates went up, except in Maputo city, which despite its significant increase in poverty experienced a slight decrease in stunting. Overall, rates fell somewhat.

Most noteworthy is how little children's nutritional status changed, suggesting that the elasticity of household consumption to anthropometric outcomes is low (at least in the short to medium term). Nutritional status affects primary school enrollment, learning ability, productivity, and future earning potential; when low, it jeopardizes the children's chances of escaping poverty. These links raise an important policy question: how to translate the country's economic gains into real improvements in nutrition and health and into long-term reductions in poverty. International evidence suggests that income growth alone is not sufficient to solve the malnutrition problem (Alderman, Hoogeveen, and Rossi 2005; Haddad and others 2003)—because households do not necessarily spend additional resources on acquiring more calories or on improving their diet. Even so, economic growth is normally expected to contribute more than what has been observed in Mozambique (Simler and Ibrahim 2005: 18), suggesting that other factors may be significant in explaining this nutritional paradox (box 4.1).

#### **Box 4.1**

### **Nutritional Paradox: Consumption Growth and Malnutrition in Mozambique**

What explains this nutritional paradox? Why has substantial growth in consumption not led to similar reductions in malnutrition among children in Mozambique? Four factors have been shown to have some explanatory power in Mozambique:

- The seasonality of consumption and cropping patterns
- The composition of household diets

*(continued)*



- Women's knowledge and education levels
- Women's ability to use their knowledge when making food consumption, expenditure, and other decisions

Seasonality highlights how consumption varies throughout the seasons, often depending on cropping patterns, seasonal variations in food and crop prices, and timing of harvests. Seasonality was identified in Poverty and Vulnerability Survey (PVS) data as a key dimension of household vulnerability. Arndt, Barslund, and Sulemane (2006) find that seasonality in calorie consumption in Mozambique varies dramatically by region and is related to maize cultivation (a seasonal crop). In the central provinces—the maize basket, where seasonality is the most significant—in the postharvest season (June–July), calorie consumption is up to 40 percent higher than in the “hunger” season (January–February). The central provinces experienced some of the highest consumption growth and poverty reduction as well as the worst anthropometric outcomes between 1997 and 2003. Seasonality is less pronounced in the southern provinces, yet they also saw deteriorations in stunting rates, suggesting other factors might also be at work.

Households in Mozambique are found to have a poor diet, so increased consumption may not necessarily translate into improved nutrition. Barslund (2007), using demographic and health survey data for 1997 and 2003, finds that dietary diversity is correlated with improved nutritional outcomes (reduced stunting) at provincial levels, especially in rural areas. Despite the general preference for dietary diversity, the links between consumption growth, changes in diet, and child health are weak, and other variables at the household level intervene, including the knowledge of household care providers (particularly women's knowledge) and women's relative bargaining power and ability to realize their rights within the household.

Barslund (2007) notes that mothers' education was highly correlated with improved nutritional outcomes, in terms of both reduced stunting and wasting rates. In addition, mothers' knowledge about “good practices” in raising children is correlated with the nutritional status of children in the household (van den Broeck 2006). Mothers' knowledge about practices that prevent or treat their children's illnesses, however, varies significantly by area (urban or rural) and by the wealth level of the household. Using an index of child care practices, Barslund finds that knowledge about child care practices is highly correlated with reduced stunting rates in rural areas. In urban areas, mothers' education more generally remains strongly significant. Both years of schooling and more immediate (access to) information for mothers, moreover, have a strong positive effect on child-care practices,

*(continued)*

setting out clear and actionable policy recommendations. Successful translation of knowledge into behavior often depends on women's relative bargaining power within the household. Although few representative studies on women's intra-household bargaining power have been conducted for Mozambique, evidence from the quantitative elements of the PVS finds consistent discrepancies in household decision-making power between men and women. Women have very little influence over key household expenditures, including education, health, and food. As seen from studies in other countries, this discrepancy has potentially important nutritional consequences.

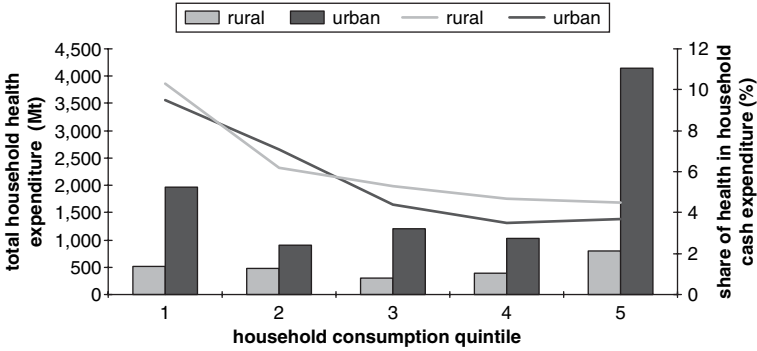
Clearly, a need exists to devise specific means for addressing malnutrition in Mozambique. Following its commitment at the World Food Summit in 1996 to reduce malnutrition by 50 percent, the government has developed a specific Food Security and Nutrition Strategy, approved by the Council of Ministers in 1998. The strategy focuses on improving knowledge and attitudes in relation to feeding and primary health care. More recently, a Secretariat for Food Security and Nutrition has been created to monitor and evaluate the food and nutrition situation of vulnerable populations. As is clear from the studies cited above, however, more is urgently needed to address this nutritional paradox.

### ***Implications for the Poor***

Overall, the poor spend a greater share of their income on health expenditures. Although rural residents spend less in absolute terms, they generally spend a larger share of their income on health services. In both rural and urban areas, the richest households spend more on health, but the poorest spend approximately the same (rural areas) or even more (urban areas) than middle-income households. This finding may be related to the patterns of demand for health shaped by the incidence of diseases among households. As a percentage of total cash expenditures among those who paid for health services, poorer households tend to spend a greater share, but little difference exists between middle- and high-income households (figure 4.12).

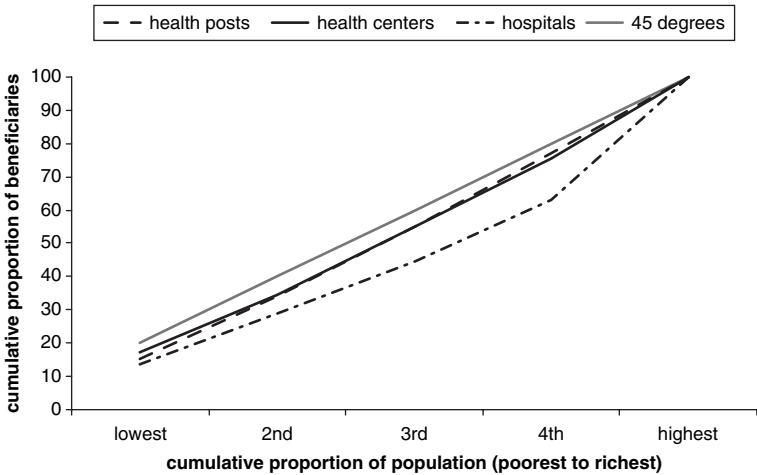
All health services are badly targeted toward the poor—with hospitals being the worst. Health data are not clearly divided by type of health care (primary health care or hospital care), so conducting a benefit incidence analysis is not possible.<sup>13</sup> Nevertheless, the household survey data can shed some light on the proportion of health services used by different consumption quintiles, ignoring whether it was preventive or curative

**Figure 4.12. Total Household Health Expenditure and Share of Health Expenditure in Total Cash Expenditure, by Area of Residence, 2003**



Source: IAF data for 2003.

**Figure 4.13. Concentration of Health Service Use, by Type of Facility, 2003**



Source: IAF data for 2003.

health care. The 1997 IAF household survey found that only vaccination services for children were well targeted toward the poor. The 2003 IAF household survey does not distinguish between preventive and curative health care.<sup>14</sup> Figure 4.13 examines health service use in general, plotting the cumulative proportion of benefits to the cumulative proportion of the population (poorest to richest). It shows that all health services

are still badly targeted toward the poor, with hospitals clearly showing the worst targeting, where the highest consumption quintile (the top 20 percent) constitutes close to 40 percent of the total users of hospitals, and the bottom 20 percent just over 10 percent.

### ***Perceptions of Changes in Health Services***

Although most households perceive improvements, more than one-third still see no changes, particularly in rural areas among female-headed households. As with education, satisfaction (during 2001–06) is higher among urban households (67 percent) than among rural households (63 percent), with men in both areas more likely to indicate improvements than women (table 4.9). Although no major differences exist in the perception for improvement between relatively well-off households in rural and urban areas, relatively well-off households in rural areas are twice as likely as their urban counterparts to perceive conditions in the health system as worsening (see appendix table 4.29). These figures reflect the inequality in the distribution and quality of health services.

Better service and growth in the health network were cited as major reasons for perceived improvement in both rural and urban areas. More than two-thirds of households indicate that better services are the main reason for satisfaction with changes in the health system. As with education, expansion of the health network is more valued in rural areas, whereas increased staff size is more valued in urban areas (see appendix table 4.29).

**Table 4.9. Perceptions of Change in Health Services, by Area of Residence and Gender of Household Head, 2006**

*percentage*

<i>Perception of health services</i>	<i>Gender of household head</i>		<i>All households</i>
	<i>Male</i>	<i>Female</i>	
<i>Urban areas</i>			
Improved	68.6	63.2	66.8
Did not change	20.8	22.4	21.3
Worsened	10.6	14.4	11.9
Total	100.0	100.0	100.0
<i>Rural areas</i>			
Improved	65.3	57.1	63.0
Did not change	15.1	15.6	15.5
Worsened	19.6	27.3	21.7
Total	100.0	100.0	100.2

*Source:* PVS data for 2006.

*Note:* Sample is not representative.

Distance to health facilities and lack of medicines are the key reasons for perceiving a worsening health system in rural areas, while the poor quality of service is most important in urban areas. Other complaints from rural households include distance to health facilities and lack of medicines. Urban households complain about the poor quality of service in health facilities and waiting time (see appendix table 4.31).

In sum, the richest quintile, the urban dwellers, and the southern provinces show the highest positive health outcomes and the highest use of health care services. The most important constraint to health care use is distance, especially for poor and rural households. Regression analysis indicates that education is also an important determinant of health care use and of child health care practices, especially in rural areas (van den Broeck 2005). Investment in primary education will also have positive effects on the health sector, but in the long term. In the short term, investment in information distribution can improve child care practices in rural areas where health facilities are lacking, but no substitute exists for increasing the number of health posts, especially in rural areas.

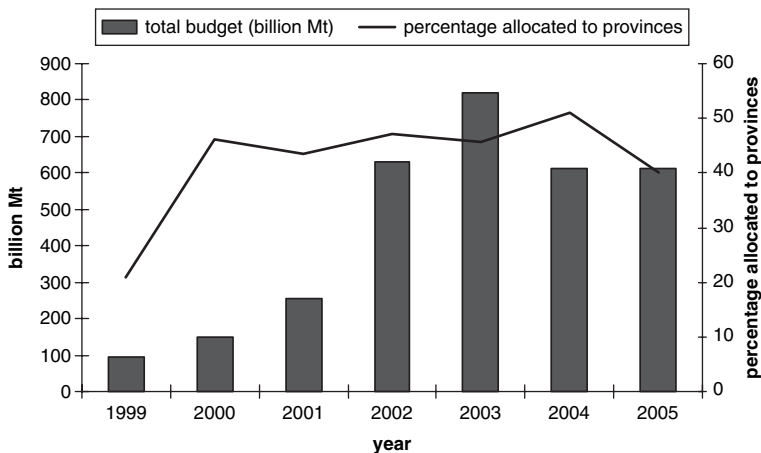
### **Agricultural Extension—For the Poor, Not the Agents**

Government spending in agriculture has been guided since 1999 by the sector development program, one of the first sectorwide programs in Mozambique, developed in response to the financing requirements of the Ministry of Agriculture's ambitious restructuring program, which accompanied the privatization of state-owned agricultural enterprises. The ministry needed to reduce direct intervention in production and marketing and to support the transformation of the rural economy. Set up in 1999 by donors as a pooled fund to support the ministry's budget, the sector strategy (PROAGRI) has three main areas of intervention, each with specific objectives:

- Institutional reform and modernization—to transform the Ministry of Agriculture into a modern institution that can formulate, regulate, and implement policy to enable favorable development for smallholder farmers and consolidation of large-scale farmers
- Building the public sector's capacity in service provision—to increase production and productivity and to raise family incomes and improve food security
- Sustainable management of natural resources—to protect, preserve, develop, and ensure access to natural resources and their sustainable use

Despite the boost to expenditure from PROAGRI, government spending on agriculture has been more variable and significantly lower than on other sectors, such as education, health, and infrastructure, averaging less than 5 percent of expenditure since 2001. Most of the variation in spending can be traced to the slow start of PROAGRI and the subsequent huge jump in expenditures in the last years of the program. Government sources do not provide a detailed breakdown of total spending on agriculture and rural development, so most government expenditure data come from PROAGRI's project monitoring records. The program can be credited with the increased decentralization of spending on agricultural and rural development. In 1999, at the beginning of the program, only 20 percent of the resources were transferred to the provinces, with the rest spent at the central level. In later years, the share allocated to the provinces increased to about 50 percent (figure 4.14). With the focus on institutional development, further decentralization cannot be expected from this program. As a share of total expenditures on agriculture and rural development, funding from PROAGRI ranged from 15 percent to 83 percent during 1999–2005 (see appendix table 4.32). PROAGRI funded predominantly recurrent expenditures, such as goods and services, but also covered capital expenditures. Institutional development absorbed the largest share of expenditures, peaking at 70 percent in 2003.<sup>15</sup>

**Figure 4.14. Total PROAGRI Budget and Share Allocated to Provinces, 1999–2005**



Source: Ministry of Agriculture, PROAGRI database, 1999–2005.

### **Government Policy and Spending on Extension**

Government policy on agricultural extension is aimed at improving production, productivity, and incomes of rural smallholders in an environmentally sustainable way. It focuses on assisting producers in a demand-driven manner and on rationalizing and strengthening extension services. The official government policy spelled out in the national Extension Master Plans (for 1997–2006 and 2007–16) is in line with PARPA (I and II) and the Agricultural Sector Development Programs (PROAGRI I and II), which establish the need for an agricultural extension system that can transform smallholder agriculture through innovation. The goal is an extension system that raises productivity in agriculture, animal production, forestry, and wildlife; increases incomes; improves food security; and prevents natural resource degradation.

Agricultural extension for smallholders requires innovative strategies. The recently released Agricultural Extension Master Plan for 2007–16 (GoM 2007) highlights two key challenges: (a) complex and diverse socio-economic and farming systems combined with low population density and (b) low effective demand for extension by smallholders caused by low education and weak market orientation. To address these challenges, new approaches emphasize three principles: deconcentrating services to the district level, enhancing participation of the target groups in providing services, and engaging other actors in a coordinated effort, including outsourcing.<sup>16</sup> The extension strategy promotes active participation of producers to ensure that extension efforts respond to their needs. To face logistical and financial challenges, it promotes a publicly financed extension system open to multiple financial and delivery arrangements, including partnerships with other extension providers (such as nongovernmental organizations and private firms) through outsourcing, cost sharing, and cost recovery from farmers and farmer groups and associations (box 4.2).

#### **Box 4.2**

#### **PROAGRI and Smallholders**

PROAGRI's national coverage has eight components:

- Institutional development
- Support to agricultural production
- Livestock development
- Extension services

*(continued)*

- Research
- Land management
- Irrigation
- Forestry and wildlife

Each component had specific objectives. Although smallholders were central, the program focused on capacity building—thus, it financed fees for consultants as well as salaries and benefits of staff in the Ministry of Agriculture. Consequently, the primary target group became ministry staff. As beneficiaries of the agricultural support services, the smallholders became a secondary target group, with much smaller budgets for components that directly serve them.

Evaluations of PROAGRI credit the program with success in institutional capacity building and in decentralized planning and budgeting. In extension, the program also yielded good results in institutional development by strengthening a unified extension system and improving the qualifications of extension agents. It did poorly in services to smallholders, however. Extension is a staff-intensive activity, requiring much travel and many field visits to disseminate messages. The absence of adequate funding limits the ability of the public extension system to serve farmers in rural areas.

Evaluation reports indicate, however, that PROAGRI and the National Directorate for Rural Extension increased yields of major crops in intervention areas, although the higher yields still represent about half the genetic potential. The reports also note that the number of farmers assisted by public extension remains small. If the increased yields were replicated by the majority of Mozambican farmers, the country could achieve self-sufficiency in maize even without increasing the area currently cultivated. One lesson from the PROAGRI I extension component is the need to recognize the heterogeneity of farmers and thus to take into account the different inputs and technologies that each region requires.

Another key issue is the weak link with research, preventing successes from reaching smallholders. Why does this lack of coordination exist? Research and extension had their own agendas and priorities, both faced funding and human capital constraints, and no formal structures strengthened the links. These aspects must be taken into account in future interventions. Both research and extension have recently released their master plans, and they recognize the need for better coordination to maximize their effect on smallholder production and productivity, with potential benefits for welfare.

**Source:** PricewaterhouseCoopers 2006.



Extension was supposed to be a focus, but it absorbed only 7.6 percent of the budget in 2002, dropping to 2 percent in 2004, even though PROAGRI was still funding 49 percent of total government expenditures in the sector. Average spending on extension during the PROAGRI period corresponds to an annual expenditure of about US\$4,500–\$5,000 per extension officer and roughly US\$20 per assisted household (GoM 2007). Research, a key activity to improve the yields of small farmers, received the bulk of its funding in 2004 and 2005 (table 4.10).

### ***Access to Extension Services***

When accounting for public, private, and nongovernmental organization extension, many districts have some kind of extension coverage, but important differences exist across provinces. About 117 of 128 districts of the country receive at least some extension services, half from the government (see appendix table 4.34).

Density of extension workers in Mozambique is still low, making access to extension services difficult. Again, important differences emerge across regions. Extension worker density averages 1.3 extension workers per 10,000 people, with 0.7 workers in Sofala in the center and 2.7 in Niassa in the north (table 4.11). The southern region gets the highest extension worker density at 1.4 per 10,000 inhabitants. According to the IAF, about three-quarters of the population lives more than 50 kilometers from extension facilities—and about half of those live more than 200 kilometers away (World Bank 2005c). In reality, however, people do not always have to walk to extension facilities because extension workers travel to meet farmers. According to the 2002 National Household Agricultural/Income

**Table 4.10. PROAGRI Budget by Expenditure Component, 1999–2005**

*percentage*

<i>Component</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>
Institutional development	37.3	43.8	46.2	64.5	70.4	17.6	20.2
Livestock	11.0	3.7	3.8	3.7	3.0	1.0	1.2
Rural extension	14.4	13.3	5.0	7.6	4.2	2.2	1.5
Support to agricultural production	7.1	4.3	10.1	8.6	3.5	4.4	6.8
Forestry and wildlife	24.1	7.5	7.5	2.6	2.1	1.4	1.5
Land management	3.8	10.2	8.8	5.7	4.0	2.8	2.8
Research	2.3	10.6	10.9	5.5	6.9	11.6	27.7
Irrigation	0.0	6.6	2.6	1.8	1.7	1.1	0.8
Other	0.0	0.0	5.1	0.0	4.2	57.9	37.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

*Source:* Ministry of Agriculture, PROAGRI database, 1999–2005.

**Table 4.11. Extension Worker Density in Mozambique, 2004**

Region	Province	Population	Extension workers			Extension workers per 10,000 inhabitants	
			Government	NGOs	Private	Province	Zone
North	Niassa	966,579	58	135	68	2.7	
	Cabo Delgado	1,588,741	91	183	—	1.7	
	Nampula	3,563,224	121	291	—	1.2	1.3
Center	Zambezia	3,645,630	55	213	19	0.8	
	Tete	1,461,650	56	54	172	1.9	
	Manica	1,280,829	62	71	—	1.0	
	Sofala	1,582,256	86	26	—	0.7	1.2
South	Inhambane	1,401,216	54	95	—	1.1	
	Gaza	1,333,540	73	177	—	1.9	
	Maputo	1,074,793	52	64	—	1.1	1.4
Total		17,898,458	708	1,309	259	1.3	

*Source:* Coughlin 2006, using data from the Ministry of Agriculture.

*Note:* NGO = nongovernmental organization; — = not available.

Survey (Trabalho de Inquérito Agrícola; TIA), about 32 percent of rural households live in a village with access to extension officers. The survey also reports that about 14 percent of the rural population received some extension advice in 2002. By 2005, 16 percent had. The biggest increases were in the south, whereas the central region saw a decline (see appendix table 4.36).

Most extension assistance is in agriculture, but livestock assistance is also important in some provinces. While 27 percent of communities surveyed by the 2002 TIA received agricultural assistance, only 17 percent received livestock advice. Livestock extension assistance is strongly correlated with livestock ownership rankings by province.

Recipients of extension are more likely than nonrecipients to use specific techniques, except in the south, where extension services have grown significantly in recent years and both recipients and nonrecipients are equally likely to use them (ECON Analysis 2005; TIA for 2002, 2005). Specific techniques include intercropping, soil conservation, crop rotation, and line planting. The nearly equal use of techniques across recipients and nonrecipients in the south is not necessarily bad, because it may reflect important spillovers from extension through demonstration effects—nonrecipients learning and successfully applying techniques from their recipient neighbors (see appendix table 4.37).

### **Implications for the Poor**

Evidence is mixed on the effect of extension, particularly on the poor. Despite high spending on agriculture in the decade after the war, no

clear upward trend has occurred in major crops since 1997, except for the expansion of sugar and tobacco—almost entirely a result of private sector investment (Finney and Kleemeier 2003). Institutional capacity in agriculture has been strengthened, but production growth and poverty reduction have been only modest, as have intermediate outputs, such as research and extension services. Other factors, such as poor roads, marketing constraints, and limited technologies for dissemination to farmers, could contribute to the lack of success. The justification for heavy public spending on agriculture is questionable. Until food system constraints are eased and adequate technology is available, spending heavily on extension services is not worthwhile (Finney and Kleemeier 2003).

Regression results do not show any effect of access to, and receipt of, extension on household income or perceptions of improved economic conditions. Access, but not receipt of extension, has a nearly significant effect on poverty incidence, suggesting regional differences in poverty rather than effects on individuals (Walker and others 2004). A mild association exists between extension contact and crop income. Both access to and receipt of extension have a low level of statistical significance and are consistent with about a 5 percent gain in net crop income. In terms of total income, however, those households were as poor as their neighbors. Walker and others (2004) argued that the absence of statistically significant positive results on community and household variables suggests that extension messages are not making a difference in rural income. The lack of effects may be explained by constraints on access to improved inputs and to technologies more adapted to location. However, the absence of effects does not substantiate the claim that nongovernmental and public sector extension specialists are working mainly with richer farmers. This absence of effects is consistent with the results in appendix table 4.36, showing no substantial difference among extension recipients in the use of specific techniques across income quintiles.

In another study, however, rural extension significantly affects rural crop production, and public extension is better oriented toward poor households. Despite the very limited coverage—only 14 percent of rural households receive extension information from public or private firms or from nongovernmental organizations—having access to extension increases crop incomes about 8.4 percent (World Bank 2005c). One explanation of the difference between these results and the regression results is that Walker and others (2004) controlled for a much wider range of factors—reaching an adjusted  $R^2$  of 0.50. Meanwhile, World Bank (2005c) controlled for a more limited set of factors—reaching an

adjusted  $R^2$  of only 0.28. Important variables may have been omitted from the model, and extension may be capturing their effect. Using quintile analysis, World Bank (2005c) found that the effect of extension diminishes as crop income increases; the effect of extension is highest for lower-income quintiles. The study concluded that agricultural extension in Mozambique is primarily benefiting the rural poor.

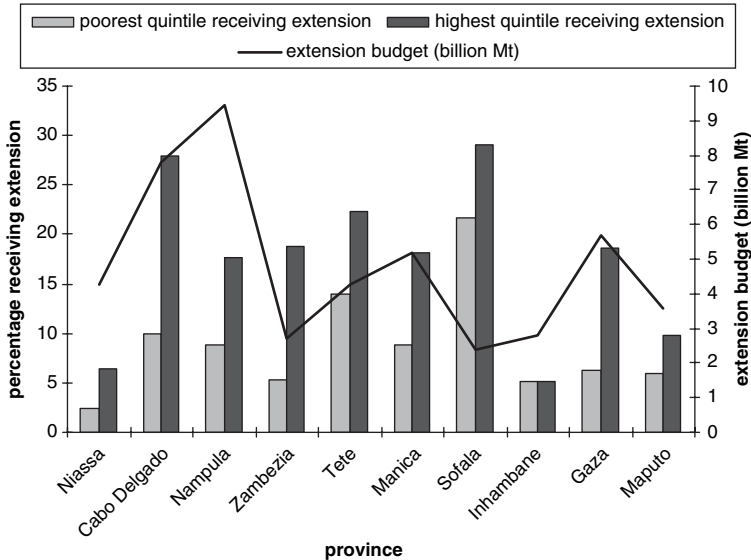
The lack of data on overall funding in agricultural and rural development prohibits a general conclusion about how well expenditures reach the poor. General agricultural funding does not appear to be pro-poor, because a large part of the PROAGRI budget is allocated away from the provinces and to nonpoor spending.

Extension, although poorly funded, does reach the poor—particularly public extension. Although all household income quintiles increased their access to extension services, the lowest amount is consumed by the poor. The gap is narrowing—by three percentage points between 2002 and 2005. So, at least in terms of access, indications are clearly that the poor can benefit—if the quality of extension provided continues to generate positive returns (see appendix table 4.37).

Public extension spending and the use of extension services seem to be correlated. The distribution of farmers who report receiving extension across provinces in 2002 appears to closely follow public spending on extension by province. Access to extension by poor and nonpoor is somewhat correlated to extension budgets by province (figure 4.15). In Nampula, where most of the country's people live, the absolute number of people assisted is high, accounting for a large share of the country's total, but a large share of the province's population is not reached. In Tete, the relatively high proportion of people targeted results from the large private extension systems associated with cash crop production. In Sofala, private extension related to agroindustrial crops, such as cotton, tobacco, and sugarcane, may be increasing the access of both poor and nonpoor households.

The effects of extension on consumption per capita indicate that non-governmental organization (NGO) extension yields a larger effect than public extension. The poor do, however, have more access to public extension than to other types of extension. On average, NGO extension has a slightly higher and more significant effect on welfare than public extension services (World Bank 2005c). This finding is not surprising because NGO and private extension normally have more resources per farmer and are more market oriented. Among the poor with access to extension, most have access to public extension. Public extension, however, generally is

**Figure 4.15. Access to Extension Advice by Income Level and Extension Budget, by Province, 2002**



Sources: Ministry of Agriculture, PROAGRI database; TIA 2002.

the most important source for all income groups, and conclusions about its pro-poor nature need further investigation.

### Water Supply—A Key Objective of Government Policy

Under PARPA II, improving access to water and sanitation to meet the Millennium Development Goals is a key objective. Government policy recognizes that access to potable water significantly affects health, education outcomes, and productivity, as well as gender equity, because women usually collect household water. The principles and policies for achieving these goals are set forth in the 1995 National Water Policy and the 2005 revision, which emphasized water's role in economic development. Mozambique is committed to meeting the Millennium Development Goals on water and sanitation, which entails providing access to water and sanitation to more than 7 million people in rural areas and 3 million in urban areas by 2015. The sector policy framework, built on decentralized management and demand-driven approaches, incorporates lessons from experience.

Government expenditures on water are a poor indicator of total spending on water. They vary but have recently increased. Government expenditures are a small fraction of total expenditures for water, however. Donors usually finance investments in water supply—the bulk of the cost of improving access to water. Donor projects have been mostly off budget, leaving them out of expenditure statistics, but this has been changing with the implementation of SISTAFE. The water sector suffers from poor project implementation. Funds for donor projects are disbursed more slowly than in other sectors, perhaps contributing to the uneven expenditures.

User fees are an important source of operations and maintenance funding in the water sector. Urban households may pay some upfront costs for water connections. After the investments are made, user fees are normally collected from households to pay the costs of operation and maintenance. In practice, the fees may not cover the costs of a broken pump, for example, so public funds may also be used for maintenance. Funding for maintenance is critical. Studies show that a large percentage of borehole wells in rural areas are out of order.

Despite progress, access to safe quality water in poor and rural areas is still limited. Gains have been greater for water and sanitation than for electricity and other services and greater in urban areas. Across Mozambique, access to water and sanitation improved, benefiting both urban and rural areas, with little variation among consumption quintiles. Although more than 60 percent of the population remains without access to safe drinking water, the use of safe water increased by 13 percent nationally; the distance to a water source (sometimes unsafe water) fell for most households; and an additional 10 percent of households benefited from improved sanitation, with the poorest quintile benefiting most.<sup>17</sup> Even so, households in rural areas have significantly less access to safe water and improved sanitation than those in urban areas (box 4.3). Focus group discussions confirmed these general trends, with the largest improvements in urban areas.

Although the inequality in access has fallen, differences are still large across provinces and between rural and urban dwellers. Data from the Labor Force Survey (2004/05) indicate wide differences in access to safe water across provinces, ranging from less than 22 percent in Zambezia, Nampula, and Niassa to over 74 percent in Maputo province and 96 percent in Maputo city. Access to safe water in rural areas is estimated at just over 20 percent, reaching close to 70 percent of

**Box 4.3****Quality of Water in Erati-Namapa, Nampula**

In many communities, the quality of water—access to safe drinking water—is a severe and continuing problem, often noted as a key cause of illness and health problems. Typical sources of water in the study areas were tap water (inside or outside private homes); public fountains; traditional wells (some private); and rivers, small lakes, and streams. Of these, communities in rural areas were most likely to have a mix of traditional wells and rivers, lakes, and streams; households in urban and peri-urban areas often had a broader mix, including public and private fountains. Those with several sources of water normally used water from wells and rivers for washing and cooking and water from public fountains for drinking. Some households, particularly in rural areas, had only one source of water, which was used for washing, cleaning, drinking, and cooking.

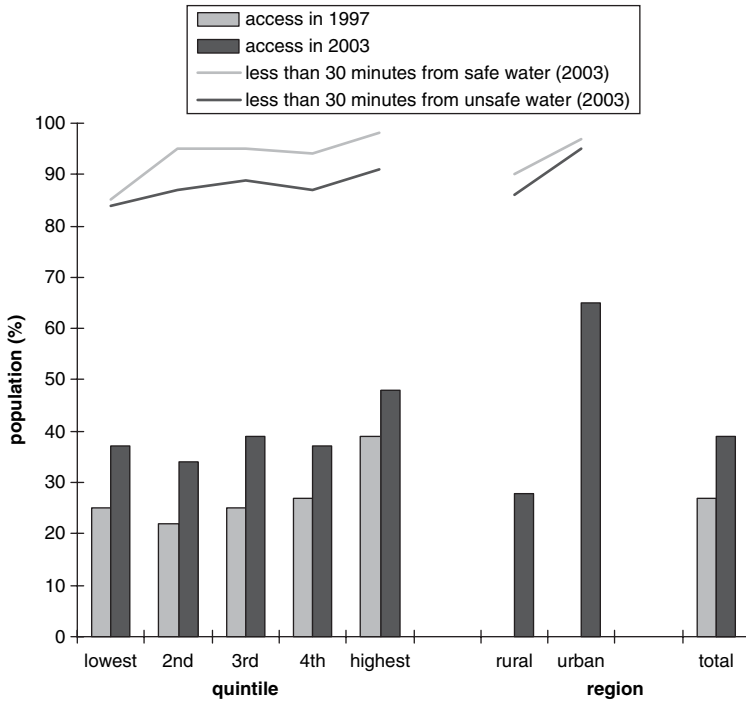
In the district of Erati-Namapa in Nampula, the local population was in the midst of a cholera epidemic during the fieldwork. Only 6 percent of the district's more than 200,000 people have access to safe water. Even in the district capital of Namapa, with more than half the district's population, the main sources of water are nearby wells and the Lurio River. The water from the river is frequently contaminated. Bathing, washing, and cleaning of clothes often take place adjacent to where most people collect their drinking water. In rainy periods, drinking water is further contaminated by human waste because the village lacks a functioning sanitation and drainage system. The water situation in Namapa is not unlike that in many communities in rural and peri-urban Mozambique.

*Source:* UEM 2006: 53.

the population in urban areas nationwide. These differences are more important than differences across consumption quintiles, where the gap between the richest quintile and the poorer quintiles is closing.

Distance to water, particularly to safe water, varies by quintile and urban-rural location. The poor live farther away from their water sources, especially for users of safe water, and rural households live farther from any type of water than urban households (figure 4.16). Some provinces are not well covered by water sources. Water coverage has increased and poor-rich gaps are closing, but regional and urban-rural gaps remain wide. Mozambique will need to make major efforts to meet the Millennium Development Goals target for water.

**Figure 4.16. Percentage of Population with Access to Safe Water, by Region and Quintile, 1997 and 2003**



Sources: IAF data for 1997 and 2003.

### What Is Needed for Effective Government Pro-Poor Spending?

Public spending on service delivery in Mozambique has been growing rapidly, and success has been variable across sectors. The social deficit was reduced but not eliminated. Many challenges remain. To maximize the effects of public spending on the poor, the government needs to make efforts to ensure the following:

- Increased public spending in facilities and services used by the poor and vulnerable areas and groups
- Increased value for money in the public sector through improved quality of public services and better delivery systems
- Improved systems to better monitor government expenditures and evaluate how effectively they are allocated to the poor



In education, this effort translates into increasing the quantity and quality of the services delivered, with several priorities:

- Further expand the school network and reduce the costs of education to reduce distance and alleviate financial constraints for poor households. Increasing access and completion rates among girls needs to be a top priority, particularly in rural areas.
- Continue to pay special attention to teacher training to keep up with surging demand, and invest in curricular development to improve quality at all levels.
- Invest more in postprimary education to keep pace with progress in primary access and completion, targeting rural areas and poor and vulnerable groups, especially girls.

To increase attendance among poorer households, the government could consider conditional cash transfers, after a careful assessment of their feasibility and overall sustainability. Scaling up existing social protection programs that have indirect effects on children could also be considered.

In health, the focus should be on improving the coverage and quality of service delivery:

- Improve the distribution of hospitals, health posts, and health centers and of health personnel, including well-remunerated qualified professionals, to minimize shortages among rural and less-favored areas and groups.
- Develop outreach services that bring health services to the population through a network of community health workers (based in the villages) working with existing health centers. Outreach activities should increase awareness of the importance of formal health services.
- Manage the distribution of medicines and diagnostics equipment to health facilities, particularly in rural and remote areas.

Investments in education and information will be important to improve access to health services and health outcomes. Because education is an important determinant of health care and child care practices, investments in primary education are expected to have positive effects in the health

sector. In the short term, disseminating information can improve child care practices in rural areas lacking health facilities.

In agricultural extension, coverage should be increased and actions well targeted to the needs of farmers:

- Adopt a holistic view that integrates the extension system with agricultural research to ensure that the materials developed by researchers are well adapted to the needs of farmers, particularly poor farmers and groups with specific characteristics—that is, take into account the heterogeneity of farmers and areas to be targeted.
- Structure spending to allow for better geographical coverage and outreach to help farmers adopt technologies that will increase their production and productivity.
- Promote infrastructure development, institutions (support associations in reducing transaction costs), and marketing to link farmers to markets.
- Promote public-private partnerships, including outsourcing, for better targeting and greater benefits to participating smallholders.

In water, access to clean water needs to be improved and the regional and rural-urban gaps reduced. Spending needs to keep up with population growth.

- Invest in water supply systems that are well distributed (spatially) to reduce the distance to water collection points. This effort may increase the time used in productive activities, reduce school dropouts, and increase school completion, particularly for girls.
- Set up or help establish adequate water supply systems to minimize the incidence of waterborne diseases.
- Sustain existing public water supply systems, particularly in urban areas, through effective cost recovery, perhaps through user fees. Allocate the receipts to maintenance provision and system upgrading.
- Provide technical assistance at all levels—ranging from piped water systems in urban areas to public fountains and private wells in urban and rural areas—to ensure that existing systems work properly and are well maintained.

Monitoring government expenditures and evaluating how effectively they are allocated to the poor will require monitoring systems that link

spending to outcomes and targets. Evaluating resource flows through selected sector Public Expenditure Tracking Surveys can identify leaks and increase understanding of the effectiveness of sector resource allocation. Regular—well-designed and well-planned—household surveys can monitor poverty trends and their determinants. The timing of those surveys should be aligned with the reporting needs for indicators in the Poverty Reduction Strategy and other national programs.

## CHAPTER 5

# Getting the State Closer to Its Poor Citizens

Mozambique's record on governance and accountability is mixed. The legacy of colonialism, decades of protracted conflict, and centralized rule damaged trust, downward accountability, and state-society relations. Moreover, the checks and balances developed during the postwar period have frequently been unable to safeguard the needs and interests of Mozambique's citizens, particularly poor ones, leading to resentment, frustration, marginalization, and exclusion from the public sphere. Multiparty elections in 1994 were intended to support pluralism, but the winner-take-all system has left parliament weak and one political party dominating all three branches of government. The judiciary—largely absent from the lives of the poor—is plagued by allegations of corruption. In addition to the state's poor technical and administrative capacity to respond to the needs of the poor, the relatively weak capacity of the media and civil society organizations has limited social accountability.<sup>1</sup>

Sustaining poverty reduction and increasing inclusion require social, economic, and public institutions that respond to poor people's needs. The government's poverty reduction strategy puts governance squarely in the poverty debate in Mozambique. One of the three pillars of the second iteration of the poverty reduction strategy (Plano de Acção para

a Redução da Pobreza Absoluta; PARPA) focuses on governance, including policies and programs to fight corruption, solidify the rule of law, improve protection from crime, raise the accountability of the state, and support community and individual initiative (GoM 2005). Three major instruments to pursue these goals are a new legal framework for decentralization, enhanced implementation of the 1997 Land Law, and the 2005 Family Law. The PARPA strategy also supports measures to implement other laws to improve the local justice system. What characterizes all these measures are attempts to bring the state as a development actor closer to the lives of Mozambique's poor (box 5.1).

A forward-looking strategy for Mozambique has to lend equal weight to empowering communities and their localities as agents of change, which it can best do by

- making decentralization work for the poor—by devolving real power to local communities so that they can advocate for more responsive public service delivery, influence service delivery mechanisms, and hold local service providers accountable for their performance
- increasing access to justice for the poor—by expanding poor people's opportunities to engage with institutions and ensuring that the judicial system is correspondingly responsive to system changes to make justice accessible to the poor

#### **Box 5.1**

### **Institutional Reform Is a Long Process, and Results Are Often Slow in Coming**

In the 2006 Poverty and Vulnerability Survey (PVS), commissioned for this report, poor communities and households were asked about local accountability, about their access to land and protection of rights in their lives and livelihoods, and about their experience with the legal reforms already enacted. This chapter uses these qualitative data to analyze poor people's experience of these reforms and the issues identified as important for implementation. Overall, the picture is one of a state in transition, with a long road still to travel. The reforms have not yet addressed the disempowerment poor people feel toward the state, but signs of progress are emerging in some areas.

- making poor people's land rights real—by formalizing land rights and titling, improving overall awareness of citizenship rights about land, and strengthening the consultation process for community land

### **Making Decentralization Work for the Poor**

The quality and responsiveness of governance reflect large geographical variations, particularly for service delivery. Although service delivery has improved recently, access and outcome indicators continue to vary by region—with poorer results in the center and particularly in the north—as well as between urban and rural areas. The quality of the state and its responsiveness to poor citizens' needs for service delivery underlie these geographical variations. Such inequities may undermine recent poverty reduction and perpetuate marginalization if left unchecked, particularly for the rural poor.

Decentralization, including greater emphasis on citizen and community participation, is an important element of the government's strategy for improved service delivery.<sup>2</sup> By bringing decision making closer to the people and creating spaces for citizen participation in local planning and implementation, the government's decentralization reforms are intended to enhance the responsiveness of public services to locally perceived priorities; increase their effectiveness, quality, and relevance; improve downward accountability and local checks and balances; and ultimately raise the effect of government policy on poverty reduction.

Decentralization is a key part of Mozambique's strategy to reduce poverty. To ensure greater responsiveness of public policy and service delivery to citizen needs, the government has institutionalized community consultation and civic engagement, which have been mainstreamed in district development planning and budgeting. Despite this important and historic advance, much remains to be done to strengthen decentralization's demand-side and social accountability dimensions. The risk is that neglecting these dimensions will cause state responsiveness to the needs of the poor to continue to falter. Given the high expectations, a decentralized but unresponsive state would lead to further popular frustrations, undermining public support for the reforms and the government's antipoverty agenda more generally.

Although assessing the effect of the government's decentralization strategy on poverty reduction would be premature, this section provides insights about the process of implementation. In particular, it addresses areas that have received less attention, such as the demand-side dimensions

of decentralization reform, including the social mechanisms that citizens and civil society organizations use to hold governments and service providers accountable (World Bank 2007: 19).

### ***Key Features of Decentralization So Far***

Decentralization in Mozambique uses a dualist approach of municipal devolution in urban areas (municipalization) and district deconcentration in rural areas. Although decentralization of state functions has been a subject of debate since the 1992 peace settlement, the state remained highly centralized until 1997. With the 1997 municipal legislation, the government adopted a two-pronged approach to decentralization, differentiating between urban and rural areas. Law 2/97 established 33 municipalities, comprising all 23 cities in Mozambique and 10 of the country's 68 rural towns, to be administered by autonomous and elected local governments (*autarquias*) that received devolved powers to manage the municipalities with their own budgets (funded through own-source revenues and intergovernmental transfers).

With the 2003 approval of the Law for Local State Bodies (LOLE),<sup>3</sup> the rest of the country—the rural areas where more than 70 percent of the population lives and that account for about 90 percent of national territory—is governed by provincial and district governments as deconcentrated units of the central government. Rather than being elected by the local population, as the mayors and city councils of the municipalities are, provincial and district governments are appointed representatives of the central government.

Although LOLE can best be understood as a gradualist approach to decentralization in rural areas, the reforms have brought about four important changes, particularly at the district level (Barnes 2005: 8). First, LOLE establishes the district government as a legal entity and the basic unit for planning and development. Second, it makes the district a planning and budgeting entity for the first time, with the responsibility to prepare budget and expenditure proposals and the ability to receive budget allocations. Third, it recognizes district development plans as the principal instrument for planning and budgeting. Fourth, it regulates community participation—through formalized district consultative councils—in preparing, implementing, and monitoring district development plans.<sup>4</sup> In theory, these plans would also draw on inputs from consultative councils and forums at lower administrative levels, ultimately including representatives from every community.

Substantial work remains to complete the legal framework for implementation. In some areas, regulations are missing, while in others, implementing regulations are contradictory. Specific attention should be concentrated on sectoral legislation that defines how the sectors are organized, how they operate, and how they deliver public services. A comprehensive review of the sectoral laws is needed to address harmonization of legislation and to ensure congruence between sectoral legislation and that of district deconcentration and municipal decentralization. In addition, the legal review should look into legislation that provides the general framework for public sector function, including the Public Finance Act and the Public Service Act. For fiscal decentralization reforms to be successful, these laws should be fully consistent and compliant with LOLE and the broader decentralization policy framework.

In 2006, the central government experimented with fiscal decentralization by providing direct funding to district governments—in the form of the Local Initiative Investment Budget (OIIL). In 2006, the government made approximately US\$300,000 (Mt 7 million) available to each of the 128 districts for district and community investments identified with the help of the consultative councils and forums (Barnes 2005: 11). The government further increased the funds available to district governments for 2007 (World Bank 2007: 19). However, the use to which these funds could be directed was narrowed in 2007 to focus uniquely on job creation and income generation and disengaged from any capital investment for social or economic infrastructure. In 2008, the OIIL is to be increased with the same restrictions and US\$90,000 per district added for infrastructure investments. The earmarking of most of the OIIL for job creation and income generation both restricts local choice and positions the district as a lending institution without frameworks or support. Combined with the lack of sector deconcentration to districts in most areas, the OIIL still greatly limits local choice in allocating resources. This situation underscores the importance of capacity-building efforts to pave the way for effective decentralization.

### ***Responding Better to Consumers and Citizens***

Empowerment gives people and communities the opportunity and the capability to participate in social, economic, and political spheres—most immediately manifest through participation in local governance and local service delivery. To participate in local governance, citizens need



institutionalized opportunities to influence local planning and policy processes, local decision-making systems, and accountability mechanisms linking decision makers and citizens. To participate in service delivery, people need opportunities to influence the mobilization and management of resources and the delivery of services through voice (consultative and oversight mechanisms channeling service-user preferences to service managers and front-line service deliverers) and through choice (the availability of options to select among multiple providers)—so that people and communities are not forced to accept unresponsive service delivery. Critical constituents of an empowering agenda include access to information, capacity enhancement, and direct participation, with the following actions:

- Informing communities
- Strengthening capacity
- Improving representation
- Strengthening the incentives for participation and implementation
- Learning from pilots

Decentralization has laid the groundwork for improved downward accountability and opportunities for popular participation in development planning. At the municipal level, citizens can elect and hold to account their local representatives. Mayors and city councils in all 33 municipalities are directly accountable to their constituents for service provision and local revenue generation and use. In practice, however, the ability—and sometimes the willingness—of municipal governments to respond to their citizens' needs varies greatly (box 5.2). Given municipalities' continuing reliance on intergovernmental transfers rather than own-revenue collection, the autonomy that they exercise in practice remains questionable and potentially undermines downward responsiveness and accountability to local taxpayers and citizens (Barnes 2005: 3).

The 1997 Municipal Finance Law, which was updated by legislation approved in January 2008, provides some small positive developments for municipalities but contains mostly negative provisions that impose constraints on the municipalities. It does not allow reassessment of properties (although the full extent of this limitation will not be clear until the new fiscal code is approved). It caps the rate for property taxes and provides an exemption for new properties for five years. Furthermore, it limits the allocation of investment transfers to 1.5 percent of national fiscal revenues. The potential for Maputo and other municipalities to raise

**Box 5.2****Municipalization Experience on the Ground**

Decentralization in urban areas has taken a different route from that in rural districts. With the municipal elections in 1998, the transformation of urban towns into locally elected *autarquias* began in earnest. The fieldwork sampled localities belonging to 4 of the 33 municipalities created since 1998, in Gaza (Chókwè and Manjacaze), Nampula (Angoche), and Zambezia (Quelimane). The results from two of the municipalities, Gaza and Angoche, are summarized here.

**Municipality of Chókwè, Gaza**

In general, respondents in both municipalities in Gaza felt that the introduction of the *autarquias* had brought about improvements, especially in participation and accountability in decision making. With local elections, the communities have put in place local leaders who know how to address the communities' main concerns and difficulties. The municipalities have also been fairly good at involving local communities in decision making, which has built trust in local institutions of governance.

In Chókwè, the energy and water situation has improved somewhat, particularly for the minority able to pay for utility connections. The main roads through town have also improved. Even so, many respondents felt that more should have been done and that progress thus far mainly benefited the better-off. The impression was common that the government failed to live up to the promises of the elections and that much still had to be done to extend the improvements in water and energy to the rest of the populace. The higher taxes levied by the municipal government—combined with the limited progress in the delivery of public services—were the subject of particular criticism; the taxes were seen as unjustified. Some respondents, however, felt that the main reason for the lack of progress was the municipality's continuing low human, infrastructure, and financial capacity.

**Municipality of Angoche, Nampula**

In Angoche, Nampula, the situation is further complicated by its dual process of decentralization. Since 1998, the town of Angoche has had an elected municipal council, and since the early 2000s, the district of Angoche has taken part in the

*(continued)*

recently formalized district deconcentration pilot. Since 2002, however, the municipal council has been dominated by the national opposition party, Renamo (which boycotted the 1998 elections), while the appointed district government continues to be dominated by the national government party, Frelimo. Although the borders of the municipality and the district of Angoche are distinct, local political coexistence has confused administrative reporting structures and the lines of accountability between the local people and the state. Especially within the municipality, two administrative structures (including *secretários de bairro* and their deputies and staff) exist, one representing the national government and another representing the new municipal government. Although these structures may have enhanced the political checks and balances in Angoche by increasing local political competition and opportunities for community participation, the dual power structures may be confusing state responsibilities and lines of accountability.

Despite these complications, respondents (from focus groups and semi-structured and key informant interviews) agreed that the municipal situation has improved over the past few years. Even so, the area's strong political divisions and overlapping structures of district and municipal governance led respondents' perceptions of achievements to vary by the time and government in question: the national and district governments (Frelimo), the municipal government between 1998 and 2002 (governed by Frelimo), or the municipal government since 2002 (governed by Renamo). In this heavily Renamo area, perceptions about achievements by Frelimo-dominated bodies were mostly quite negative. Many blamed the government for the closures of factories and mass unemployment. One respondent noted, however, that the new municipal government has not improved things either because it has not been able to replace the lost jobs.

*Source:* PVS for 2006.

revenues is significantly reduced, with consequences for institutional reform and service delivery. Transfers to municipalities currently constitute only 1 percent of the national budget and are capped at 1.5 percent. In addition, Decreto 33/2006 provides for the transfer of additional functions (*competências*) to municipalities in the social sectors.

Informing communities of their role in decentralized service delivery, the legislated consultative councils and forums at district levels and below (including administrative posts, localities, and villages) are unprecedented in opening spaces for citizen participation and civic engagement

in rural development planning—despite misgivings about decentralization caused by the exclusion of rural areas (thus far) from the political decentralization and suffrage provided to urban areas (see, for example, Braathen 2003; Serrano 2002; Siteo and Hunguana 2005). The institutionalization of such mechanisms of social accountability,<sup>5</sup> with participatory mechanisms inscribed in laws or regulations, is extremely rare, even internationally (Ackerman 2005: 17). Some gender equity is also institutionalized: women’s participation in the local councils is guaranteed through a 30 percent quota, established in the 2003 Guidelines on Participation and Community Consultation and the 2005 regulations. Moreover, the reforms legally recognize community authorities as interlocutors between rural communities and the district administration, reversing decades of legal marginalization of traditional institutions and leaders in local governance (Kyed and Burr 2006).

In addition to legislative advances, consultative councils have been implemented in all districts in Mozambique. In preparation for the disbursements of the OIIL in 2006, a study by the National Directorate of Planning verified the existence of consultative councils in all districts and in 95 percent of administrative posts (study cited in GoM and PAP 2007: 50–51). The study also suggested that most district councils had been involved in developing the district plans presented for OIIL funding that year. The 2006 Poverty and Vulnerability Survey (PVS) confirmed these results. Consultative councils also existed in all 16 districts visited for the PVS. Although only recently created in the provinces of Niassa, Zambezia, and Gaza, pilot councils have existed for quite some time in the districts of Angoche and Erati-Namapa, among others, in the province of Nampula.

Accelerated implementation, however, risks lowering the quality of citizen participation in development planning. At this early stage of reform, anecdotal evidence from the PVS suggests that most consultative bodies were established from top-down government pressure—rather than from bottom-up demand—given their legal requirement as part of the district deconcentration process. Indeed, in the districts and communities visited (outside the pilot province of Nampula), some consultative bodies were still not functioning properly. Even within a single province (Niassa), the consultative forum was functioning in one of the localities studied (Luelele, Mandimba) and not in another (Lichinga).

### ***Strengthening State and Local Capacity***

Weaknesses in capacity—in both the state and civil society at local levels—threaten to undermine reform’s potential benefits. Moving beyond legal

institutionalization is necessary to ensure that participatory social accountability mechanisms work on the ground. Alongside the OIIL, large investments are needed in the human, technical, managerial, and administrative capacity of local governments to manage the district development process and associated budgets and to boost downward responsiveness and accountability. The decentralization reforms are based on radically different ways of conducting government and delivering social services. New skills and attitudes are required to facilitate participatory planning and to encourage citizens' voices, initiatives, and engagement. Some promising activities in evidence, such as Radio Moc and community radio broadcasts in the central part of the country, have increased awareness of the district budget and planning process.

### ***Improving Representation and Participation***

Beyond formalizing participation mechanisms in local government, participation must be institutionalized in society itself (Ackerman 2005: 18). The extent to which local communities can meaningfully participate in the local budget and planning cycle is uncertain. This doubt should not, however, lead to the conclusion that civil society is not capable of participating in the development planning process. Parallel investments are required in building the capacity of citizens, civil society organizations, and even the media to interact with local governments and hold them accountable. An important element of such capacity building is improving citizen access to the information and knowledge needed for accountability—on budgets, procurement, service delivery costs, and user rights (including citizenship rights more broadly).

To engage in social accountability mechanisms, the very poorest in the communities may even need assistance in building their capacity to aspire (Appadurai 2004)—beyond the organizational, technical, and basic reading and math skills that community representatives will need to master to effectively participate in these consultative bodies. The education and training of citizens and civil society need to be more fully integrated in the reform process to raise the quality of citizen participation in preparing, implementing, and monitoring development plans.

The emphasis on rapid implementation of reforms may also risk undermining the inclusiveness and representativeness of consultative bodies. International experience suggests a tendency for participatory initiatives to be subject to elite capture, often by the most articulate, well-off, well-connected males and leaders in a community (Ackerman 2005: 22). Without mechanisms to ensure greater transparency and inclusiveness, the

benefits of decentralization thus risk reinforcing existing local inequalities rather than improving the lives of the poor (Ackerman 2005: 32).

Anecdotal evidence from the PVS suggests that elite capture may indeed be a problem in some communities. Representatives of the consultative bodies in the communities visited usually included traditional and religious leaders, political party members, and representatives of other organizations (economic associations and social organizations, including female and youth organizations). The opinions of religious and traditional authorities—coupled with education level and expressive ability—were often determinants in selecting representatives for the consultative bodies. Despite the gender quota, women were highly under-represented in some communities.

The overall impression from the PVS is that opportunities to participate had not changed significantly despite the recent introduction of consultative bodies. Consultation and participation protocols continue as before for most of the people in the areas studied, and the effect of deconcentration appears not yet to have trickled down to ordinary community members. Building meaningful participation into the process takes time and needs credible and continual monitoring and assessment.

Impact assessments from the districts that took part in the decentralization pilot initiatives in Nampula province suggest, however, that opportunities for participation have improved since the introduction of participatory district development planning (see Ilal and Chisvo 2005; UNCDF 2004). This finding may suggest that with time the inclusiveness of the more recently constituted consultative bodies may also be enhanced. Even so, the assessments from Nampula also showed that the consultative bodies—despite these improvements—still tend to be dominated by more educated, older, male community members.

Greater emphasis is needed during reform implementation to improve the inclusiveness and representativeness of the consultative bodies. First, efforts are needed to overcome the many obstacles to participation facing most community members. These obstacles range from cultural factors (with age and gender often important) to constraints on time and availability to skills and comfort with participating. Overcoming such obstacles will require substantial long-term investments. Second, the demand for citizen participation needs to be strengthened. This effort again requires investments in the capacity of local communities and civil society organizations to participate and in the capacity of local government officials to mobilize and integrate citizens in district development planning, implementation, and monitoring. Third, efforts to overcome problems of elite

capture should mobilize informal social organizations and community groups (such as water user groups, agricultural producer organizations, and the like) and better link these potentially more representative groups with the formal consultative committees. Fourth, the ability to represent a community and the effectiveness of community representation rely on trust. Building and sustaining community trust require transparency in the flow of information about decisions and debates in the consultative bodies.

### ***Strengthening the Incentives for Participation and Implementation***

Participation should be broadened beyond the district planning and budgeting stage to ensure greater downward responsiveness and accountability. Limiting citizen participation to consultations during the district planning stages weakens citizens' incentives to participate and their ability to hold district, province, and national governments accountable.

District governments are legally mandated only to consult citizens (through district consultative councils), not to integrate their priorities into district development plans. Despite the recognition of district development plans as the principal instruments for planning and budgeting, provincial and national governments are not required to integrate these plans into their development plans.

Incentives to participate in the district planning process are undermined by the slow pace of fiscal decentralization to districts. Except for limited discretionary funds available to district governments, most budgetary decisions on district investments are made nationally. Thus, budgets proposed locally by the district government—drawing on the input of district consultative councils—are merely proposals that may be “aggregated into a unitary budget at a central level, which is then submitted to parliament for approval” (Barnes 2005: 10). District planning and budgeting remains more of a mapping and priority-setting exercise—at least in the short run—where citizens and communities are asked merely to make suggestions. In 2006, the central government initiated a district-level development grant (or allocation), which provides financial resources to the districts for financing projects that are locally defined as priorities through a participatory process. In 2006 and 2007, each district was given Mt 7 million (approximately US\$300,000) for this purpose, although the amount is expected to increase slightly for the 2008 budget. No clear methodology exists for allocating these financial resources among districts, and confusion exists about the scope of activities toward which the Mt 7 million can be directed.

Perhaps more worrisome, however, is that few incentive mechanisms are available to district consultative councils—and to citizens more generally—to hold district governments accountable for local decisions, plans, and investments. Not even the crude mechanism of holding district officials accountable through the ballot box is available to citizens in rural areas. So although consultative councils may have addressed part of the democratic deficit at the district level, they should not be seen as “a substitute for democratic local government” in the long term (Barnes 2005: 13).

### ***Learning from Pilots***

Limited opportunities for participation in district planning and budgeting hinder the process, outcomes, and effects of district plans. At the very least, improved communication and more transparent information flows are needed “to ensure that those who participate in the planning process are adequately informed of the outcome of their involvement” (Barnes 2005: 13). The exact role of consultative councils and forums in monitoring and evaluation is unclear in the legislation and accompanying regulations—suggesting a top-down and state-driven approach. A risk exists that district planning and budgeting will not appropriately take into consideration the concerns of citizens and service users. Alongside community participation in planning, therefore, is a need to institutionalize greater civic engagement in monitoring and evaluating district plans and implementation. International experiences suggest several strategies to strengthen participatory monitoring and evaluation of public service delivery, including citizen report cards, social audits, and community scorecards (box 5.3).

At the municipal level, adhering to the good practice rule that finance should follow function is imperative. According to Decree 33/2006, municipalities are responsible for social services. The legislation also mentions that the financing for the decentralized provision of these services will be secured from the central government budget, but the decentralization of expenditure responsibilities should not move too far without the corresponding allocation of resources. Thus, a stable, predictable, and transparent transfer system needs to be established that clearly allocates local revenue sources (taxes and fees) by level of government.

### **Increasing Access to Justice for the Poor**

Improving the understanding of how poor people can access the resources and assets for a secure and sustainable livelihood requires focusing on the



**Box 5.3****Community Scorecards in Malawi and Maputo**

The community scorecard methodology was first developed in Malawi by CARE International through its Local Initiatives for Health Project in 2002 (Ackerman 2005: 33, box 9). Malawi has a long history of deficient health care services for the poor. The main goal of the project is improving the provision of health services to the rural poor by empowering users.

The model applied in Malawi includes four elements (World Bank 2004). First, facilitators organize community meetings with villages near the health center to be evaluated. Participants are asked to talk about their health problems, their access to and use of health services, and their opinions of the health center. The facilitator then helps the participants design a list of indicators to evaluate the health center. Finally, the participants are asked to rank the health center's performance on each indicator.

Second, the staff members at the health clinic go through a similar process. They are asked to discuss the present situation at the clinic, develop a series of indicators, and rank their performance on these indicators. Third, "interface meetings" are organized, where community members and clinic staff present their respective scorecards, compare the outcomes, and work together to design solutions to the common problems identified. Fourth, the action plans are implemented, including follow-up visits.

Evidence indicates significant improvement in the health center's services between the interface meetings. Most of the improvement can be attributed to the community scorecard. Almost all the indicators received higher scores in the second scorecard, with significant improvement in respect for patients, listening to patients' problems, honest and transparent staff, giving priority to serious cases, no discrimination in providing supplementary nutrition, and no preferential treatment (World Bank 2004).

In 2006, the Maputo municipal government experimented with this tool as part of the participant process to develop the urban reform strategy. The process was well received and judged a success by policy makers.

systems of rights and justice available to the poor (Moser and Norton 2001: 21). In recent years, the government has put in place a range of legislative reforms that have begun to change the landscape of rights, justice, and empowerment for the poor. The most significant is the 2004 revision of the constitution. Other reforms—such as the 1997 Land Law and the

2005 Family Law—are also directly relevant to the lives of poor people, regulating their access to key resources inside and outside the household. Decentralization is also changing the institutional landscape and the public policy approach aimed at realizing many of these rights.<sup>6</sup>

The formal justice system remains inaccessible to most of the poor.<sup>7</sup> Several constraints to access exist. A recent survey of national perceptions of state of governance and corruption (Austral Consultoria e Projectos 2005)<sup>8</sup> suggests that the four main obstacles are physical access, distance, cost, and corruption (see appendix table 5.1). General lack of awareness and knowledge of rights is also a factor.<sup>9</sup> Even the Chief Justice of the Supreme Court recognized this problem in his speech opening the 2005 judicial year:

There exist . . . factors which limit the degree of access to justice . . . like ignorance or deficient awareness of the law on the part of citizens, the lack of a juridical culture, as well as corruption more generally. Access to justice presupposes a general awareness of the rights and freedoms accorded to citizens which we lack in this country. (Supreme Court President Mario Mangaze, as cited in AfriMAP 2006: 12–13)

### **Disseminating Information on Rights and Responsibilities**

The PVS brought to the fore the fact that the majority of poor men and women interviewed had very little insight about their specific rights and responsibilities as citizens.<sup>10</sup> The few who recognized the existence of rights highlighted the rights to vote; to live in freedom; to life; to work; and to health, food, and education. Some emphasized citizenship responsibilities—to pay taxes and to carry personal identification,<sup>11</sup> a responsibility that carries its own set of problems for the poor (box 5.4).

The majority of poor households are even unaware of recent laws directly relevant to their livelihoods and assets, such as the land and family laws (box 5.5). Findings from the PVS suggest that people's low awareness of their rights extends to land and inheritance rights.

Better dissemination of information on citizens' rights and responsibilities is critical. Given the substantial changes to the country's legal code since the early 1990s—particularly in small-scale commerce, natural resources, and family matters—a sharper focus is needed on disseminating these new laws and explaining their implications for the rights of the poor and on improving access to legal information more generally. New laws are usually disseminated through the *Official Bulletin*, but the sporadic and limited publishing of the bulletin has hindered widespread

**Box 5.4****National Identification Cards and Claiming Citizenship Rights**

Being able to claim the most basic citizenship rights in Mozambique requires a state-issued personal identification card. An identification card is required to receive social insurance support. Those without an identification card are subject to harassment and possible detention by police. Even so, many respondents noted that they do not have an identification card (because they never obtained one or because they have lost one) and face many difficulties obtaining one.

To obtain an identification card in the locality of Macuacua in Manjacaze district, Gaza, one needs first to receive a pass from the president of the locality, then a birth certificate certified by the registrar and notary in the locality where the individual was born. Next, an application has to be submitted to the *município* of Manjacaze to apply for the identification card. After six months' waiting time, the card is then issued. The costs are prohibitive for many, leaving them unable to claim their rights and benefits as citizens (UEM 2006).

**Box 5.5****The Family Law and Intrahousehold Relations, 2006**

Parliament passed the new family law in 2003, protecting a range of women's rights and for the first time legally recognizing customary marriage, thus offering official sanction to property claims and custody rights for women. Signed into effect by the president in March 2005, the family law asserts that both spouses are responsible for the family and can represent the household. In the past, a woman required her husband's consent before taking a paid job. The law stipulates marriage as a monogamous union, setting the minimum marriage age for both sexes at 18 years. Domestic violence and adultery constitute grounds for divorce, as does abandonment of the conjugal home for a period exceeding a year. The family law addresses intrahousehold relations directly by

(continued)

establishing as a principle that the household is headed by both spouses, administering the couple's property equally. If widely implemented, the law could significantly affect the rights of women, in terms of both property inheritance rights and decision-making status in the household.

Results from the qualitative part of the PVS suggest that respondents have very limited awareness of the existence of the new family law and its ramifications. The survey looked at questions such as perceptions of ownership and inheritance rights and the knowledge of where and how to appeal decisions for land concessions, with a particular focus on perceptions of women's rights to own and inherit property.

Currently, what is the decision-making status of men and women in the household? Results from the quantitative part of the PVS indicate that gender continues to be a significant determinant of household decision-making power. Important variations exist, however, by religious affiliation, geographical location, and wealth of the household.

The sex of the decision maker is a strong determinant of intrahousehold decision-making responsibility. In both rural and urban areas, men are predominantly making the households' expenditure decisions on education, health, and food. Women have a relatively smaller, although still considerable, disadvantage in decisions over food expenditures. When questioned separately, male heads of households' answers are marginally different from those of female spouses on decision-making power, with women reporting a higher degree of both spousal and joint decision making than men. The overall picture remains consistent, however.

Urban women have slightly more say over expenditure decisions than rural women, but the difference is not large. When asked, both male heads and spouses report relatively more joint and spousal decision making in urban than in rural areas, particularly on education and health expenses. The relative wealth of households also causes a difference in rural-urban decision making: women in relatively wealthier households are perceived to have more say over expenditure decisions than women in relatively poorer households, but only in urban areas. Religious affiliation appears to be a determinant in the decision-making power between men and women in households. Male Muslim household heads report making expenditure decisions to a larger degree than male heads in non-Muslim households. The pattern is consistent over all categories of expenditure, and particularly so in rural areas.

*(continued)*

Potentially important welfare consequences stem from this discrepancy in decision-making power between men and women. Gender-based decision making is not a problem only from an equity or rights perspective: potentially important development consequences can arise. Evidence from other countries suggests that mothers' control of the household income has a significant effect on consumption expenditure, children's schooling and health, and households' labor supply (Kennedy and Peters 1992; Khandker 1998; Thomas 1990). The intrahousehold decision-making discrepancy between men and women can be one explanation behind the finding that nutrition inequality increased in Mozambique while income inequality decreased.

dissemination of laws and other relevant legal information. Moreover, few laws have been translated into local languages and disseminated widely,<sup>12</sup> which causes major difficulties in a country where only 8 percent speak Portuguese, the official language, as their native language and 27 percent speak it as a second language (IAF for 1996/97).<sup>13</sup>

Without clear and unbiased legal information, the poor are particularly vulnerable to misinformation or even elite capture, especially in rural areas. Indeed, the PVS fieldwork found that access to information remains a great challenge in enhancing people's ability to realize their rights and in improving governance more generally. The main sources of information for most people are local meetings with community authorities and local government officials and informal oral updates from family members, neighbors, and friends. Although these methods may be appropriate given the widespread illiteracy in rural areas, they are also more prone to capture by vested interests (UEM 2006: 9–10, 134, 153).<sup>14</sup>

The costs of accessing judicial services are also a major obstacle, cited as the second-most-important constraint among households. Court fees, costs of legal representation, and transportation and accommodation for those living far from the courts—most of the population—are usually prohibitive (AfriMAP 2006).

Distance and geographical marginalization remain key constraints to the poor's access to justice. In the 2005 governance and corruption survey, distance was cited as a major constraint to accessing justice (table 5.1). Courts and other justice institutions are based mainly in urban areas and provincial capitals. In theory, courts should exist in each province and

**Table 5.1. Household Constraints in Access to Justice**  
percentage

<i>Constraint</i>	<i>Not important at all</i>	<i>Not very important</i>	<i>Somewhat important</i>	<i>Important</i>	<i>Very important</i>
Costs	24.1	16.6	18.8	18.0	22.5
Bribes	26.6	16.3	27.6	13.3	16.2
Corruption	19.1	17.6	23.7	18.1	21.4
Incompetence	23.0	17.4	25.4	15.8	18.4
Waiting time and delays	20.2	17.1	22.9	20.1	19.6
Complexity	20.9	17.8	26.2	19.0	16.1
Execution	17.9	16.6	26.3	19.1	20.2
Distance	25.1	15.3	17.1	13.8	28.6

*Source:* Austral Consultoria e Projectos 2005: table 18.3.

district—which has been achieved in provinces but not in districts. Only 93 district courts exist for 128 districts.<sup>15</sup> Physical distances within districts are also substantial. In Chilembene in the province of Gaza, the nearest district court is in Chókwè, a city more than 50 kilometers away—which presents substantial difficulties, particularly for the poor, who may not be able to afford transport and accommodation. In the north, the distances are greater, infrastructure is more limited, and services are fewer, so the constraints facing the poor may be even greater.

### ***Making the Justice System Fair***

Bribes and corruption are particularly problematic for the poor in accessing justice. As many as 35 percent of households interviewed expected to have to pay a bribe to receive judicial services. The police were rated as the fourth-most-corrupt public institution in Mozambique; as many as 19 percent of households said they always have to pay a bribe to the police in return for a service (Austral Consultoria e Projectos 2005: table 22.3). Traffic police were rated as the second most corrupt after customs officials. Although the proportion of households considering the courts corrupt is lower, it remains significant.<sup>16</sup> Even the public prosecutor in Mozambique recognizes corruption in justice and the problems it creates:

Justice sector officials have easy access to money through bribes; this is why the citizens in this country don't approach the justice system to complain about violations of the law, given that the perpetrators of the crime have a financial advantage over them. In this situation, the rule of law doesn't exist and cannot exist. (cited in AfriMAP 2006; author's translation)

Beyond these constraints to access, however, the representativeness and inclusiveness of the justice sector at the community level also present concerns for the poor. Both the 2005 governance and corruption survey and the recent U.S. Agency for International Development corruption assessment identified the justice system as particularly problematic (USAID 2005: 14). The former showed a general perception of serious problems with the justice system, particularly in how much it represents or defends the interests of the poor (see appendix table 5.2). More than 60 percent of households felt that the weak and the poor are unable to get their interests considered within the justice system, and more than 40 percent felt that the system is insufficiently independent from the government, manipulated by economic interests, and unfair overall as a result.<sup>17</sup> The quality of justice services ranked as particularly poor (Austral Consultoria e Projectos 2005: table 13.4). Indeed, 42 percent of households rated the quality of police services as either very bad or bad.<sup>18</sup> The court system fared only slightly better, with 29 percent of households rating its services as very bad or bad.<sup>19</sup>

These perceptions were largely echoed in the qualitative PVS fieldwork. The state police, for example, were uniformly accused of corruption, and many respondents complained of having to pay fines or bribes to the police if they failed to present personal identification or if they needed the police to investigate a theft or robbery. Petty traders in Quelimane, Zambezia, also complained of having to pay fines and bribes regularly to the municipal police when they did not have the correct licenses for their operations, often wiping out their daily incomes. The fieldwork in Niassa (UEM 2006: 35), Gaza (UEM 2006: 137),<sup>20</sup> and Nampula (UEM 2006: 63) confirmed these trends.

### ***Establishing Procedures to Link the Formal and Customary Systems***

Marginalized from the formal justice system, the majority of households—particularly in rural areas—rely on informal and traditional mechanisms of dispute resolution (tables 5.2 and 5.3). Findings from the 2005 survey suggest that only 5 percent of households resorted to the formal courts during the previous year. In rural areas, the proportion was even lower (3 percent). Because the state police have a greater presence in rural areas, the proportion of households that sought their help during the previous year was slightly higher but still very low (8 percent nationally and 4 percent in rural areas) (Austral Consultoria e Projectos 2005: tables 13.1, 13.3). Instead, most citizens resort to informal and traditional mechanisms of dispute resolution, such as community courts, traditional authorities, and local leaders.

**Table 5.2. Resolution of Problems in Urban Areas, by Gender of Household Head, 2006**  
percentage

<i>Entity used for problem resolution</i>	<i>Male heads of household</i>			<i>Female heads of household</i>		
		<i>Lowest</i>	<i>Highest</i>		<i>Lowest</i>	<i>Highest</i>
	<i>All</i>	<i>tercile</i>	<i>tercile</i>	<i>All</i>	<i>tercile</i>	<i>tercile</i>
Family	16.5	19.4	9.7	11.2	16.4	11.8
Traditional authorities	7.6	6.5	4.8	7.2	12.2	0.0
Local authorities	57.2	58.1	60.2	65.6	51.0	70.6
Community police	4.7	3.2	3.6	4.0	10.2	0.0
State police	12.3	11.3	19.3	11.2	8.2	17.6
Court	0.8	0.0	2.4	0.0	0.0	0.0
Church	0.4	0.0	0.0	0.8	2.0	0.0
Do not seek help	0.5	1.5	0.0	0.0	0.0	0.0
Total	100.0	100.0	100.0	100.0	100.0	100.0

*Source:* Authors' calculations based on data from PVS for 2006.

*Note:* Sample is not representative.

**Table 5.3. Resolution of Problems in Rural Areas, by Gender of Household Head, 2006**  
percentage

<i>Entity used for problem resolution</i>	<i>Male heads of household</i>			<i>Female heads of household</i>		
		<i>Lowest</i>	<i>Highest</i>		<i>Lowest</i>	<i>Highest</i>
	<i>All</i>	<i>tercile</i>	<i>tercile</i>	<i>All</i>	<i>tercile</i>	<i>tercile</i>
Family	16.6	18.8	14.3	9.1	11.6	15.4
Traditional authorities	32.2	29.1	33.8	33.8	53.5	7.7
Local authorities	44.2	47.9	41.6	54.5	32.6	76.9
Community police	1.5	0.0	3.9	2.6	2.3	0.0
State police	4.0	4.2	5.2	0.0	0.0	0.0
Court	1.5	0.0	1.2	0.0	0.0	0.0
Church	0.0	0.0	0.0	0.0	0.0	0.0
Did not seek help	0.0	0.0	0.0	0.0	0.0	0.0
Total	100.0	100.0	100.0	100.0	100.0	100.0

*Source:* Authors' calculations based on data from PVS for 2006.

*Note:* Sample is not representative.

Community courts are often the most visible face of justice for households. Perhaps the biggest gap in the system of rights and justice has been the failure to include community courts in formal justice (AfriMAP 2006). The more than 1,650 community courts across the country are “the most widespread officially recognized judicial forum in Mozambique” (AfriMAP 2006: 14). Nevertheless, they have no formal links with the formal courts, and they receive no material, financial, or human resources support from



the government. Moreover, most community judges have little or no legal training, and many have only a very basic understanding of the laws they are supposed to apply.

Most laws applied are based on customary practice and, as one community judge from Nampula noted, “common sense” (AfriMAP 2006: 86). As a result, no judicial supervision or formal control takes place. The 2004 constitution, however, recognized the existence of community courts, which bodes well for future legislation to provide a better framework for integrating them into the formal judicial system.

Despite being closer to the needs of communities, community courts do not always overcome the problems associated with the formal system. Indeed, some respondents questioned the fairness and integrity of community justice systems. A male head of household in Pebane, Zambezia, for example, argued that “justice” could be bought—not only at the formal level, but also from the community court: “In the community court you need to pay to be ‘right’ and get justice. Even if a person is in the wrong he’ll win the trial if he pays. On top of that, the person who then loses the trial still has to pay an indemnity fee, including a percentage which the judge demands for himself” (UEM 2006: 103).

Traditional and local authorities often also play an important role in resolving community conflicts and disputes. In rural areas, traditional authorities—especially the traditional chief, but also religious leaders, traditional doctors, and other informal agents—continue to be important in facilitating access to justice at the community level (box 5.6). Particularly in communities in the center and north, where Islamic law plays a greater role, religious leaders tend to exert substantial influence. Exactly how these traditional agents work varies by community, but they tend to rule through community councils (with representatives of different community leaders and elders) and to be based on customary practices and law. No mechanisms exist to ensure compliance with national laws (including human and women’s rights) and legal procedures (including procedures of appeal and redress).

Local authorities (including *secretários de bairro* in urban areas and *secretários da povoação* in rural areas), by virtue of their roles as elected leaders with administrative mandates, often mediate justice and resolve community disputes. Much like the traditional councils, however, the degree to which these mechanisms follow established legal procedures is unclear. The 2004 constitution does not explicitly recognize the role of traditional and local authorities within the justice system, despite the importance of these actors in facilitating access to justice for most of the

**Box 5.6****Traditional Authorities and Their Historical Role in Dispute Resolution**

Portuguese colonial rule allowed a variety of social, economic, and political models at the local level. Where issues were not related to colonial rule itself, the state referred to customary laws and authorities. Beginning in 1920 under the Indigenato regime, the colonial government adopted the customary systems already in place. The colonial rulers used these regimes as tools to control rural society but allowed the local authorities a great deal of leeway. This practice led to a wide range of legal practices and did little to create a unified body of customary law (Meneses and others 2003).

The traditional chiefs functioned as the administrative auxiliaries of the colonial government, presiding over the community councils. These councils, in turn, were linked to Portuguese rule and embodied legislative, administrative, executive, and judicial functions. The chiefs were of noble lineage, but when they showed resistance to the colonial power or disobeyed orders, they were subject to removal and replaced by individuals more favorable to the colonial regime. The new authorities were often brought from outside the ruling hereditary system. These politically motivated ruptures in the chieftainship system created problems of legitimacy, eroded cultural identity, and eliminated the basis for resolving local disputes.

With Mozambique's independence, colonial institutions, including justice and customary traditions, were rejected as backward by the ruling party, Frelimo. Traditional authorities aligned with the colonial system, discredited by the Marxist government, were replaced by dynamizing groups and the popular courts—with the objective of creating a fairer and more equal Mozambique under the aegis of the executive branch. The popular courts remained until the 1990 constitution, which embraced democratic principles and an independent judiciary. The new constitution created a three-tiered justice system similar to the judicial structure at the end of the colonial period, with the district courts as the lowest level of justice. The delinking of the popular courts from the official justice system meant that some communities no longer have official courts to adjudicate disputes. Traditional or community courts may still function within either the dynamizing groups or the local authorities. Although legitimate in the eyes of the local populations, ties between community courts and local authorities may perpetuate inequalities in communities, running counter to constitutional guarantees and national laws.

poor. By confirming the principle of legal pluralism, however, the constitution permits future legislation to better integrate such mechanisms with formal justice (AfriMAP 2006).<sup>21</sup>

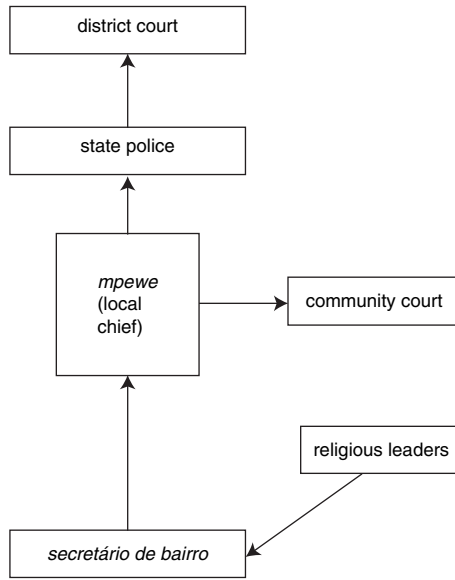
Both urban and rural households are more likely to trust local authorities and informal and traditional mechanisms of dispute resolution than formal structures of justice (see appendix tables 5.3 and 5.4). The state police and the courts play a greater role in urban areas and among male-headed households and richer households. Poorer households, by contrast, are more likely to revert to family, traditional authorities, and community police. Although concerns are often raised about the treatment of women by traditional authorities and customary practices, a clear majority of female heads of household prefer traditional and informal structures of authority to those of the formal system.

Most households and communities usually rely on a complex combination of mechanisms for dispute resolution. The most common problems in the PVS were physical aggression caused by alcohol abuse, marital conflicts (including adultery), and domestic violence; curses from witchcraft; robberies; and disputes over water and land. Which institution community members approached varied by conflict type, severity, and urban-rural location.

Internal family problems are most often dealt with in the family. Most other issues are dealt with by local leaders, including traditional authorities, religious leaders, or administrative officials (especially the *secretário de bairro* and *secretário de povoação*), depending on the problem. If a problem cannot be resolved, it is often passed to the councils of elders or community courts, considered the highest instances of justice in most communities. Only if an issue is deemed severe (such as a large theft or physical aggression) will it be passed on to the state police or the formal courts (figure 5.1).

Mozambique's constitution is enlightened and generous in terms of providing rights to its citizens, but the government is limited in its capacity to ensure those rights are enjoyed freely. Mozambique's justice sector faces a range of constraints in meeting its constitutional mandate to enforce the law, protect the rights of Mozambique's citizens, and provide checks and balances against the excesses of the executive and legislative branches. Priorities for judicial reform include the following:

- *Attention to criminal justice:* From the traffic fines imposed by traffic police—reportedly the most corrupt institution in Mozambique's justice sector (National Survey on Governance and Corruption 2004; Pesquisa Nacional sobre Governança e Corrupção)—to the apparent

**Figure 5.1. Structure of Conflict Resolution in Erati-Namapa, Nampula**

Source: PVS for 2006.

upswing in petty thefts and violence in urban and rural areas, security is a pressing issue. Injustice is perpetuated through petty corruption, poor legal aid and prison conditions, and a fundamental lack of knowledge regarding one's basic rights.

- *Stronger sector accountability:* Donors have shown considerable interest in and contributed financing for Mozambique's justice sector for a number of years, but changes and concrete results have been slow in coming. Above all, those who use the system need stronger sector accountability—whether through improvements in the collection and reporting of data, in prison conditions, in dissemination of legal information, or in the right to legal aid.
- *Legal information in local languages:* The government and the donors have put considerable energy into bringing the country's legal framework up to date. Much less concerted effort has gone into training and disseminating these laws in the official language, Portuguese, and in other languages. Unbiased legal information—presented in a simple format and in local languages—would improve both individual and collective economic and social decision making in even the remotest of villages.

## Making Poor People's Land Rights Real

Land is perhaps the most important resource available to the poor, although its relative abundance in most of Mozambique means that it is not a binding constraint for continuing growth and poverty reduction. Mozambique has an estimated 36 million hectares of arable land, but only about 4.9 million hectares were cultivated in 2003. Moreover, the total land used for agriculture is expected to remain at less than 40 percent through 2020 (Chemonics 2006: 21, citing UN Food and Agriculture Organization and World Bank data). Even so, improving the security of land tenure may help ensure access to land for the poor, particularly poor women. Secure tenure is an important vehicle for increasing the productivity of land and enabling the poor to use their land for investment and collateral.

At the same time, land is an important resource for national investment and economic growth, especially private sector growth. Simple, fair, and transparent procedures for acquiring land-use rights are thus a requirement for serious long-term private sector investment (Chemonics 2006). Balancing these two concerns has to be at the forefront of a growth and poverty reduction strategy for Mozambique that focuses on agricultural and rural development and is also at the center of PARPA II.

The legal instruments defining land rights in Mozambique have evolved rapidly. After the 1992 peace accords, a new land policy was adopted in 1995, and the new land law was passed in 1997. New rural land regulations appeared in 1998, and a technical annex was added in 1999. Both PARPA I and II established principles for natural resource use, including land, with the explicit aim of improving the livelihoods of the rural poor.

The 1997 Land Law and accompanying regulations were to protect the land-use rights of small-scale farmers by recognizing the legitimacy of customary systems and to provide investors with secure long-term rights while maintaining state ownership of all land. The law broke ground by recognizing access rights to land through customary and good faith occupation as equivalent to state-allocated land-use and benefit rights. The law introduced legal pluralism and equivalence between traditional and formal justice. Although the law encourages formalization of use rights, formalization is not required for the rights to be legally recognized.<sup>22</sup> By emphasizing the rights of individuals to take their land out of customary jurisdiction and by affirming the primacy of constitutional principles, the law aims to guarantee women's legal equality.

The law also provides private investors with secure rights through a renewable 50-year leasehold from the state. Before investors can acquire

such land, however, a community consultation must set out the conditions for the takeover of the community land-use and benefit rights. In theory, this consultation mechanism formalizes the participation of local people in land-allocation decisions and hence “should protect local rights, guarantee local livelihoods, and generate new resources for local community development” (Norfolk and Tanner 2006: 2). Owned by the state, the land cannot be bought or sold, but any private or community assets on the land can be sold, with the underlying land-use and benefit right merely transferred to the new owner (Norfolk and Tanner 2006: 3).

An increasingly active informal market for land complicates the distribution of land rights. In recent years, an increasingly vibrant informal market for land has developed, particularly in urban areas, suggesting rising demand for land in parts of the country. The amount of purchased land steadily increased between 2002 and 2005, particularly in the north and south. As expected, land purchases are significantly more common in richer households than in poorer households, exponentially so over the period in question, perhaps suggesting a rising concentration of land ownership. Recent studies confirm this trend (Tanner 2005: 11–13; Tanner and Baleira 2006). Interestingly, however, although the proportion of purchased land that is titled was higher in 2005 than in earlier surveys, most land still is not titled before purchase.

Rising demand for land may ultimately undermine legally recognized but invisible rights to land, however. Although the new land law ensures that most households with access to land have legally recognized rights to it, with increasing demand for land—particularly in urban areas—those who do not have formally registered rights risk missing potential benefits from land markets and losing the tenure security accorded to them by law:

Unregistered community and good faith land-use and benefit rights may be legally recognized, but invisible to anyone but local people and their neighbors. Faced by rising demand for land, local people with unregistered rights may then be exposed to de facto expropriation . . . [by private] investors. (Tanner 2005: 5–6)

Implementation of the law has been relatively slow, but several advances can be identified. The government—supported by donors and national non-governmental organizations and community service organizations—has invested heavily in raising awareness of the land law. In addition to making the law available in the national press and the *Official Bulletin*, the government held extensive consultations with civil society, translated the

law into six languages,<sup>23</sup> and—most important—led a 1998 national land campaign to take the basic messages of the law to the local level (Tanner 2005: 6).<sup>24</sup> Nongovernmental organizations and community service organizations have also been very active throughout the process, educating the public on citizens' rights and raising awareness of the land law. Building capacity and training personnel have also been important. The Center for Legal and Judicial Training, part of the Ministry of Justice, has trained community and district judges and prosecutors, district administrators, and paralegals to assist local communities.

### ***Increasing Poor People's Awareness of the Law***<sup>25</sup>

Despite investments in public education, most households—particularly poor households and those headed by women—are unaware of the land law and its implications. The findings from the PVS suggest that people's low awareness of their citizenship rights extends to land rights. Indeed, both quantitative and qualitative fieldwork shows that nearly all respondents have little or no awareness of the land law or its implementation. Only 15 percent of urban households and 11 percent of rural ones have any knowledge of how to obtain a land title under the current land law (table 5.4).

In urban areas, more than twice as many male-headed households as female-headed households have knowledge of titling procedures. Even in rural areas, the findings vary by gender, although somewhat less so. Household welfare also matters, especially in urban areas, where 30 percent of the richest households know about land-titling requirements, compared with no households in the poorest tercile. Even a decade after the law came into effect, very few households know their specific rights to the land they rely on for their daily livelihoods.

Unaware of their rights, the poor are less likely to know and benefit from the real economic value of their land. Communities are also often unaware of the value of the land that they surrender to investors—and the returns that it could generate through careful negotiation of deals. If the long-term benefits of these transactions accrue mostly to investors, their effect on reducing poverty will be considered negative.

### ***Encouraging Poor Households to Register Their Land Rights***

Voluntary land registration and low awareness of rights reduce the demand for land titles. Only a few households have formalized and registered their land rights. The PVS found that even fewer households than those claiming to have knowledge about the law have titles to their

**Table 5.4. Awareness of How to Obtain Land Title, by Area, Gender of Household Head, and Tercile, 2006***percentage*

<i>Head of household</i>	<i>Urban</i>			<i>Rural</i>		
	<i>All terciles</i>	<i>Lowest</i>	<i>Highest</i>	<i>All terciles</i>	<i>Lowest</i>	<i>Highest</i>
All	15.2	0.0	30.0	10.5	10.4	11.5
Male	18.2	0.0	32.5	11.9	10.8	12.1
Female	8.8	0.0	20.0	6.7	10.0	8.3

*Source:* Authors' calculations based on data from PVS for 2006.*Note:* Sample is not representative.

land—fewer than 10 percent in urban areas and only 1 percent of households in rural areas (see appendix table 5.11). Nationally representative data from rural areas suggest that only 2.6 percent of rural households have title to their land, despite regional variations (see appendix tables 5.12 and 5.13; TIA for 2002, 2005).<sup>26</sup>

Even so, the National Agricultural/Rural Income Survey data show that the number of households with land titles doubled between 2002 and 2005. Voluntary land registration may explain the low demand for land titling, but the PVS suggests that low awareness of the process and the benefits of formalizing land rights may be a more likely explanation. Indeed, lack of awareness of how to obtain a title was the most important reason cited in both urban and rural areas (table 5.5). Female heads of household are particularly unaware of rights and procedures for land titles—close to 70 percent in urban areas and up to 80 percent in rural areas.

Low formalization leaves the land rights of most of the population invisible and outside official records. The current cadastral database in Mozambique relies on information from land-use rights applications that have already been processed. Given the limited demand for formalization of land rights and the low proportion of land that has been delimited or titled, cadastral records cover only a tiny part of the country. A land-use and occupation survey was recently conducted, but it was geographically limited and relied on conventional surveying methods, which failed to capture most community land-use rights. Because customary and good-faith land accounts for at least 80 percent of land rights in Mozambique, the land rights of most of the population are not captured in the national cadastre (Chemonics 2006: 4). As noted in a recent study, because most people's rights to land are still customarily and informally administered, they remain "largely invisible to formal systems of rights registration and recording" (Norfolk and Tanner 2006: 5).



**Table 5.5. Reasons for Lack of Title, by Area and Gender of Household Head, 2006**  
*percentage*

<i>Reason</i>	<i>Urban</i>			<i>Rural</i>		
	<i>All household heads</i>	<i>Male household heads</i>	<i>Female household heads</i>	<i>All household heads</i>	<i>Male household heads</i>	<i>Female household heads</i>
Lack of interest	22.5	26.6	14.0	27.9	32.7	15.0
Complexity of process	6.1	5.0	8.8	5.0	6.3	1.7
Lack of knowledge	57.9	52.9	68.4	62.1	55.4	80.0
Lack of money	3.9	4.1	3.5	4.6	5.0	3.3
Land is borrowed	9.0	10.7	5.3	0.4	0.6	0.0
Other	0.6	0.8	0.0	0.0	0.0	0.0
Total	100.0	100.0	100.0	100.0	100.0	100.0

*Source:* Authors' calculations based on data from PVS for 2006.

*Note:* Sample is not representative.

The government has done little to promote communal land registration, and public resources allocated to this activity have dwindled. Public resources for community land delimitation were low in 2001, and they have declined further (see appendix table 5.16). The voluntary registration of land rights has also meant, according to one observer, that “there is no pressure on public services to record these rights” (Tanner 2005: 5). Although the exemption from registration remains important for the poor, who do not have the knowledge or capacity to formalize their rights, efforts are needed to make land rights for the poor more visible in the formal cadastral systems (Norfolk and Tanner 2006: 2).

### ***Delimiting Community Land***

Community land delimitations are under way, albeit slowly. Because most of the rural poor still obtain their land rights through community and good-faith occupation, community land delimitation provides insights into land-rights registration in Mozambique (Chemonics 2006: 33). The most comprehensive survey of community delimitations was conducted in 2003 (CTC Consulting 2003), but a 2005 update (with more recent figures for the northern provinces) suggests that only 185 community delimitations have been conducted and fewer than half (88) have received certificates of delimitation (Chilundo and others 2005: table 5.1). Given that an estimated 2,000–3,000 communities exist in Mozambique (comprising more than 10,000 villages), these figures may

seem low, but because land registration is entirely voluntary according to the land law, they may represent some progress. Moreover, these delimitations have occurred despite the lack of national focus on community land delimitations. In fact, almost all of those completed have been supported by national nongovernmental organizations, with donor assistance (Norfolk and Tanner 2006: 12).

Studies also suggest that the delimitation initiatives benefit local communities (Chemonics 2006: 34–35, citing Knight 2002 and Norfolk 2004). In addition to allowing community groups to negotiate better benefits from potential private investors, delimitation has raised community awareness of legal rights (beyond land rights alone) and empowered greater participation in managing local resources. By providing a clearer definition of community boundaries, delimitation has improved social cohesion and reduced conflicts (Chemonics 2006: 34–35).

Further evidence of progress is shown by the many community consultations before private land investments and acquisitions. Community consultations take place in most cases of private claims on communal land (Tanner and Baleira 2006)—a great improvement on past practices, which often led to allegations of private expropriations of communal land. As a result, more of the economic benefits of private development are likely to be shared with local people and communities.

### ***Improving the Consultation Process***

Although community consultations frequently accompany private claims to community land, a growing body of evidence suggests that the quality of the consultation does not sufficiently guarantee local rights and benefits. In the context of rising demand for land from private investors—especially where community land-use and benefit rights are unregistered—the land law’s community consultation mechanism provides a potentially important means of formalizing land rights in a way that puts local rights firmly on the agenda. All private investors seeking land are required to conduct a consultation with the relevant community members to inform them of the purpose of the land use and to give them an opportunity to state their interests in the land. The consultation must then stipulate the terms of a partnership between the community and the investor under which the land-use and benefit right is transferred (Norfolk and Tanner 2006: 5).

Although the requirement for community consultations has been fulfilled in most private claims, Tanner and Baleira (2006) found that the quality of the consultation process is usually very poor, either resulting

in “essentially unlawful occupation of someone else’s land” or failing “to produce real economic benefits at a level that can either maintain livelihoods or alleviate the poverty of ‘beneficiaries’” (Norfolk and Tanner 2006: 5).

Whether community consultations are representative is often questionable. The consultations rarely involve more than one meeting, and very few community representatives participate, usually community leaders (Tanner and Baleira 2006: 5–6). Such an approach raises questions about the depth and seriousness of the consultation and about who can legitimately claim to represent the interests of constituents—an important definitional question. Although community authorities—identified in the definition of legitimate actors in state administration in Decree 15/2000—play an important role representing the community to the state, they should not be relied on to “necessarily represent the group of private individuals who collectively hold a Local Community DUAT [Direito de Uso e Aproveitamento da Terra (right of land use and benefit)]” (Norfolk and Tanner 2006: 7). The study found that community consultations included conversations with only these community authorities in many cases, rather than with the broader community or specific individuals within the community whose land rights were at stake.

Local land administration officials often consider the community consultation requirement to be merely “one of several administrative steps for securing a new DUAT,” rather than a “means of protecting local rights” (Norfolk and Tanner 2006: 8). One cadastral service officer even described the process as a “waste of time” (Tanner and Baleira 2006: 11). This procedural view of the community consultation process is further reinforced by a Ministry of Agriculture and Rural Development directive requiring all new land-use and benefit rights to be processed and approved within 90 days. Although, in theory, this much time should be sufficient to ensure proper consultations with the community, evidence from tracking land-claim cases in northern Mozambique suggests that only one or two days are used for community consultations, while most of the time goes to bureaucratic procedures.<sup>27</sup> Therefore, land administration officials need to streamline the process to ensure that enough time is available to properly consult communities, raise their awareness of their legal rights and alternatives, and provide them with real opportunities to share in the benefits of their land.<sup>28</sup>

Many of the challenges posed by community consultations are summarized in a recent report on land reform in Mozambique, developed

as part of the Southern African Development Community Land and Agrarian Reform Initiative:

There is a lot of evidence that the majority of consultations are badly done, resulting in turn in complex conflicts between locals and investors who later come to occupy the lands. Rarely is more than one meeting held, and in the majority of cases decisions are taken by a small group of the community [which] do not always include the legitimate leaders of the community. In addition, the official minutes of the meeting are frequently inadequately compiled and do not include all the information on the agreements made. (SADC 2006, cited in Chemonics 2006: 35)

The requirement for community participation puts local rights squarely on the agenda. Unless the failure to generate the local benefits expected from community consultations is addressed, however, the consultations may lead to “enclosures with a human face,”<sup>29</sup> giving land grabs by private investors a “veneer of respectability by demonstrating compliance with the law, and apparently safeguarding local needs and interests” (Tanner 2005: 19).

### ***Making Women Better Off in Claiming Rights***

Although women have gained unprecedented legal rights under the land law, judicial, cultural, and structural factors undermine their enjoyment of those rights. Women are the majority of smallholder farmers in Mozambique, making up 62 percent of those who claim agriculture as their primary occupation. Securing women’s land tenure may thus have a range of positive primary effects (on yields) and secondary effects (on household well-being) (Arndt, Robinson, and Tarp 2005), but their tenure security is most fragile, particularly for rural women, often considered dependent on their marriage or kinship relations. However, with the 1997 Land Law and the 2005 Family Law, “the legal framework for women’s equal rights to land in Mozambique is basically in place” (Chemonics 2006: 36).<sup>30</sup> Indeed, Mozambique is often said to have one of the most progressive and gender-sensitive land laws in southern Africa (Collier 2006: 36). Nevertheless, women continue to suffer discrimination in land rights, partly because of a lack of information and awareness about their rights, partly because of continued discriminatory customary practices, and partly because administrative and judicial practices are still far from incorporating the norms and dynamics that the land law seeks to encourage (Collier 2006: 36).

From a judicial perspective, the emphasis on legal equivalence and pluralism introduces tension between statutory and customary law, with potential implications for gender equality. As the recent Swedish International Development Agency gender equality update for Mozambique states:

The new legislation recognizes women's equal land rights to men and to this extent is based on the assumption of gender equality. However, it also formally recognizes what are widely held to be patriarchal, customary systems of land tenure wherein rights and duties are allocated differently, according to gender and, therefore, based on gender difference. This tension creates uncertainty about the correct interpretation and application of the formal law, which in turn may result in insecure tenure for women. (Collier 2006: 37)

The new land law tries to counter these fears by emphasizing women's recourse to the formal legal system and the equality between women and men under the constitution. Moreover, the law includes two additional elements to secure women's access to land. First, women have full co-title rights to participate in all decisions about how community land is used. Second, they have the right to take their land outside the communal titlehold system and claim their individual right to the land from the state.

Although these steps are crucial advances over the previous law and set Mozambique apart from most other developing countries, the issue remains "how women's interests are represented in the local reconstruction of customary rules and practices, and the actual participation of women in the implementation of the land law" (Chemonics 2006: 36). The survey of community consultations found that women rarely participate actively in the consultations—partly because dealing with the outside world is considered a man's role in most rural areas. Women's marginalization is made worse by the limited consultation process, whose brevity hinders the opportunities for women's participation behind the scenes (Tanner and Baleira 2006: 20–21).

The law could overemphasize community rights at the expense of individual rights—especially for women. The law tends to treat the community as a black box when describing customary practices' implications for land rights,<sup>31</sup> without clearly specifying how individual land rights are guaranteed. This lack of specificity is a problem for women and other groups whose access to land may be compromised, including orphaned children and youths.<sup>32</sup>

Women have low awareness of their citizenship rights, including land rights, increasing their exclusion. Women's low awareness of their land rights has been raised as a key reason for discrimination against women before enactment of the new land law (Chemonics 2006: 36).<sup>33</sup> As seen earlier, however, women continue to be less aware than male heads of household of their rights to land. So, despite legislative improvements, women continue to face a range of obstacles in claiming their land:

Being in a situation of ignorance about their rights under civil laws in Mozambique, allied to aspects of their socialization that impede them from taking decisive positions in certain situations, women do not have the necessary tools to exercise their rights as owner or co-proprietor of specific assets, and are subject to arbitrary expulsions and expropriation [of their land] inside their communities. (Seuane and Rivers-Moore 2005: 17)

The weak, inefficient, and inaccessible land administration system charged with implementing the land law compounds these problems. Successful implementation of the land law requires efficient, accessible, and accountable cadastral services. Land administration in Mozambique remains highly bureaucratic and centralized, institutionally and technically weak, and severely understaffed, particularly at lower administrative levels, "leading to shortcuts and nonobservance of procedures and regulations" of the land law (Chemonics 2006: 3). Moreover, the costs of cadastral services (delimitation and demarcation of landholdings) are prohibitive; together with the geographically centralized land administration system, they make access to services a real challenge for the majority. The unresponsiveness of local cadastral services—or even their absence—is ultimately why customary land-tenure systems remain so pervasive. A more decentralized, accessible, and responsive local land administration system is needed, along with efforts to enhance local communities' and individuals' awareness of the rights stipulated in the 1997 Land Law and their ability to realize them.

### ***Recommended Actions***

Decentralization will increase the likelihood of effective implementation and increased accessibility to land rights at the local level but needs to be complemented with a push for broad land registration and improved monitoring. The benefits of community registration and titling in increasing awareness and strengthening negotiating positions are significant. Monitoring of implementation should include quality-based performance measures.

More emphasis needs to be attached to the protection of individual rights, especially those of women. Dissemination efforts will need to emphasize explanation of the land law and how individual rights relate to it.

Incentives for the effective use of the land and inclusion of smallholders can ensure that gains to society are maximized over the long term. The land-tenure system has been susceptible to opportunistic behavior by powerful private investors to the detriment of disadvantaged and poor individuals. An incentive system is required that would strengthen the inclusion of smallholder farmers and prioritize agricultural investment projects likely to maximize links to smallholder livelihood.

## CHAPTER 6

# The Impact of HIV/AIDS in Mozambique

Mozambique's estimated human immunodeficiency virus (HIV) prevalence rate among prime-age adults, at 16.2 percent, was the eighth highest in the world in 2006 (UNAIDS 2006).<sup>1</sup> In 2007, an estimated 441,000 children in Mozambique had lost one or both parents to acquired immune deficiency syndrome (AIDS), and women—the primary caregivers—were four times more likely to be infected as men in the age group of 20 to 24. Moreover, prevalence is increasing at an alarming pace. At the end of 2004, 1.4 million Mozambicans were estimated to be infected, up from 1.1 million in 2001. Some 2 million Mozambicans are projected to be infected by 2010. Infection is correlated with labor mobility; the highest prevalence rates are in urban areas and in provinces with transport corridors connecting Mozambique to neighboring countries that are even worse afflicted. The disease has a devastating effect for most patients and for family members. With high prevalence levels and infection rates, the disease will make its effect felt in Mozambique for decades.

The rapidly rising prevalence rate calls for significantly increased efforts to prevent infection by changing sexual behavior. Country-specific analysis suggests that targeting older men's risk-taking behavior is particularly important. A main driver behind Mozambique's high incidence appears to be older men having multiple sexual relations, while not



**Box 6.1****Data Used in the Analysis**

This chapter examines the impact of HIV/AIDS on people's lives in Mozambique, on society, and on economic growth and poverty. Information from the Ministry of Health's (MISAU) sentinel site surveillance data, the Ministry of Agriculture's surveys, and the demographic and health surveys (DHSs) is used to investigate the relationships between livelihoods and adult mortality in Mozambique, with a focus on how the feminization of HIV/AIDS affects poverty gaps between households. A growing body of specific HIV/AIDS research for Mozambique exists, but it remains scarce compared with research materials from other countries in the region. Above all, no recent DHS data exist. To fill some of the gaps, the chapter draws on evidence from neighboring countries for comparison.

**Box 6.2****Monitoring the HIV/AIDS Epidemic in Mozambique**

Obtaining accurate data is an important challenge in combating the HIV/AIDS epidemic. Several monitoring efforts have been undertaken in Mozambique following the first recorded HIV/AIDS case in 1986. In 1988, MISAU's national program to control sexually transmitted diseases and HIV/AIDS established the first four sentinel sites in selected antenatal clinics, measuring prevalence and monitoring trends in HIV/AIDS infection. Sentinel surveillance expanded during the next 10 years to three more sites in the central region. Today, a total of 36 sites, 17 rural and 19 urban, exist throughout Mozambique's 11 provinces.

Data are collected in samples of the first 300 pregnant women at their first antenatal consultation per sentinel site (over a maximum period of three months) and are then extrapolated to create provincial, regional, and national HIV prevalence estimates and to project the national demographic impact of HIV/AIDS. Only a quarter of the 144 administrative districts contain sentinel sites, so the weighting exercise assumes that nonsentinel districts have the same prevalence rate as the district most similar. This way of estimating HIV/AIDS prevalence is common to many countries in Sub-Saharan Africa, yet it has many problems. For instance, women who present themselves at clinics are a select population.

*(continued)*

Monitoring difficulties are compounded by the stigma of HIV/AIDS. Qualitative evidence suggests that AIDS deaths may be underreported in Mozambique, as elsewhere, because of stigma. Nevertheless, sentinel-site data—in combination with surveys such as the National Household Agricultural/Income Surveys (Trabalho de Inquérito Agrícola; TIA), the DHS, and the National Household Surveys on Living Conditions (Inquérito aos Agregados Familiares; IAF)—can provide a basis to estimate the impact of the epidemic.

always using condoms, with both women from younger age categories (particularly ages 15 to 24) and women their own age. Analysis shows the spread of HIV/AIDS to be a considerable threat to future growth and poverty reduction in Mozambique. Experience from Uganda suggests that efforts to persuade men to have fewer sexual relations and use condoms can slow incidence.

### **HIV/AIDS Prevalence in Mozambique**

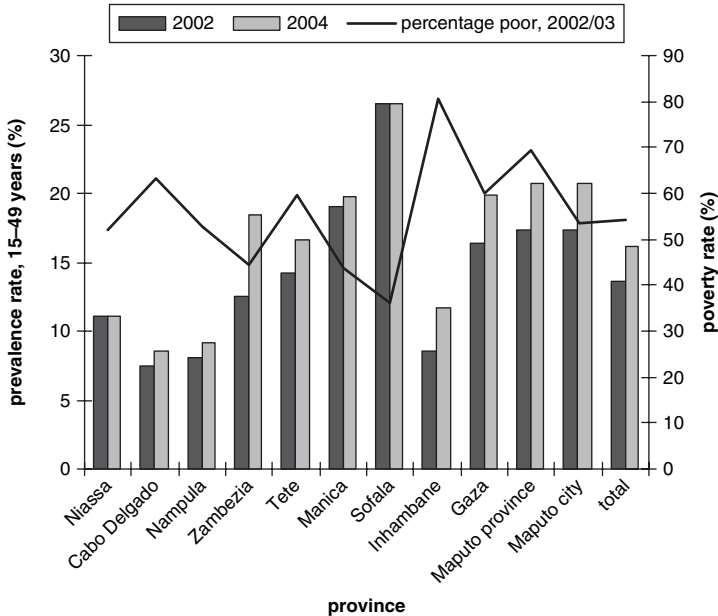
Mozambique's estimated 16.2 percent HIV/AIDS prevalence in the prime-age population is more than twice the Sub-Saharan average of 7.2 percent. The global prevalence rate in 2005 was 1.1 percent, representing about 40 million adults and children living with HIV/AIDS, nearly 26 million living in Sub-Saharan Africa and 1.4 million in Mozambique (UNAIDS 2006). The data underlying the Mozambique prevalence estimate were collected during the latest epidemiological survey round, September 2004 to January 2005.

The disease took hold later in Mozambique than in neighboring countries, but prevalence continues to grow rapidly. The first case of HIV/AIDS was recorded in Mozambique in 1986 (MISAU and National Directorate of Health 2005). In 1988, HIV prevalence was less than 1 percent among antenatal clinic attendees tested in Maputo city. The disease spread rapidly after that, however, with prevalence among antenatal attendees tested in Maputo city rising to 22 percent in 2002 (MISAU and National Directorate of Health 2005). HIV prevalence among male patients being treated for sexually transmitted disease tested in Maputo increased from 3 percent to 19 percent between 1987 and 1997 (UNAIDS and WHO 2006c). The return to Mozambique of an estimated 2 million refugees from neighboring countries with high prevalence rates following the 1992 peace accords is often ascribed as an important factor explaining

the high incidence in the mid-1990s, particularly in the central region (UNAIDS and WHO 2006c). The incidence continues to be high long after the return of the refugees, suggesting that the most important factor in the spread of the disease may be related to high-risk behavior, such as engaging in concurrent sexual relations and practicing unsafe sex, in combination with the absence of male circumcision.<sup>2</sup>

Mozambique's infection rate remains alarmingly high. Although some countries have begun reporting slowing incidence and even decreasing prevalence of the disease, such as in Uganda and Kenya, Mozambique's infection rate has yet to show signs of slowing. Prevalence is estimated to have increased by 2.6 percent between 2002 and 2004, with the most rapid incidence in the south and center. The latest data show a dramatically worsening epidemic overall, with rising infection levels in all regions. MISAU projects that the number of people with HIV/AIDS will be nearly 2 million in 2010 (MISAU and National Directorate of Health 2005). Life expectancy is estimated to drop to less than 37 years by 2010, compared with the 50 years projected without HIV/AIDS (MISAU and National Directorate of Health 2005). Heterosexual contact is the primary mode of HIV transmission in Mozambique, with mother-to-child transmission, blood transfusions, and injecting drug use being minor contributors to the epidemic (UNAIDS and WHO 2005).

Prevalence rates vary considerably by region, with the southern (20.4 percent) and central (18.1 percent) provinces worse afflicted than the northern ones (9.3 percent).<sup>3</sup> Moreover, prevalence is increasing everywhere in Mozambique, except for the northern province of Niassa (figure 6.1). Sofala province, which includes the city of Beira and the country's main transport corridor to Zimbabwe, faces the highest rate (26.5 percent), more than three times that of the northernmost Cabo Delgado province (8.6 percent). This statistic is no anomaly: the highest prevalence in Mozambique appears along transportation and commerce routes connected to neighboring Malawi, South Africa, and Zimbabwe, disproportionately affecting mobile populations, such as miners, migrant workers, drivers, uniformed services, and their partners. Geographic differences in household structure could explain some of the regional variance. Households in the northern provinces tend to center around a nuclear family, with monogamous parents. Households in the central and southern provinces are more likely to be configured differently, including large numbers of female-headed households caused partly by higher labor migration rates and partly by more polygamous households. Northern provinces have higher levels of Muslim households, where male circumcision, found to lower infection risk significantly, is a cultural norm.

**Figure 6.1. Adult Prevalence Rates, by Province, 2002 and 2004**

Source: Author's calculations based on data from GoM 2005 and MPF 2004a.

### Structural Determinants of HIV/AIDS in Mozambique

The correlation between HIV/AIDS prevalence and poverty in Mozambique appears to be negative. The province with the lowest poverty rate, Sofala, has the highest HIV/AIDS prevalence rate. The province with the highest poverty, Inhambane, meanwhile, reports among the lowest HIV/AIDS rates. The pattern is consistent also in the provinces of Manica and Zambezia, both with low poverty and high prevalence rates. With better communication infrastructure and higher mobility, a common factor in the less-poor provinces, the evidence appears to suggest that the same mechanism helping decrease poverty is causing higher HIV prevalence rates. In a second phase, after a lag between infection and symptoms, health levels can be expected to start deteriorating more rapidly, with households losing labor to the disease and children being pulled from school because of time and financial constraints. As a result, negative effects on aggregate poverty levels may follow.

Cities have higher prevalence than rural areas. Judging by 2004 prevalence data from sentinel sites and 1997 poverty data for the corresponding

sites from a poverty map based on the 1997 National Household Surveys on Living Conditions (Inquérito aos Agregados Familiares; IAF), prevalence rates vary significantly within regions, with cities displaying particularly high rates (MPF 2002: figure 6.2). This finding is consistent with other data but should be treated with care: the district poverty rates are calculated based on the 1997 household survey, reflecting a situation eight years before the HIV/AIDS surveillance year when prevalence rates were significantly lower. HIV prevalence among antenatal clinic attendees tested in Maputo city in 2002 was 18 percent, compared with 12.3 percent outside Maputo city. Among women 15 to 24 years of age attending antenatal clinics in 2002, 15 percent in Maputo city were HIV positive compared with 12 percent in other sites.

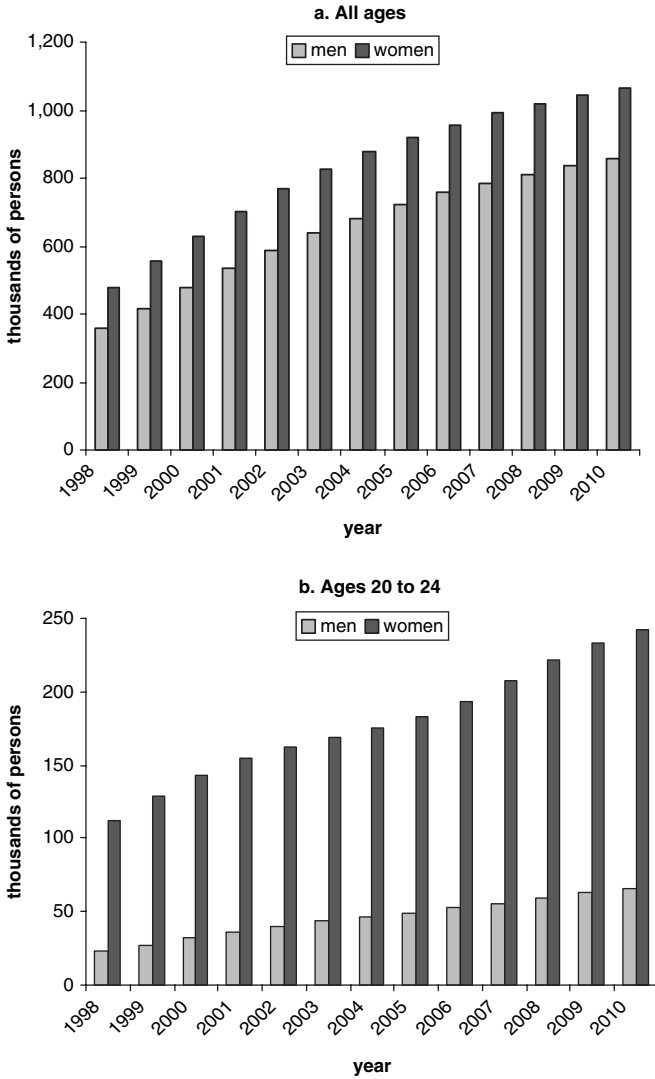
Data for analyzing how HIV/AIDS affects individual wealth do not exist yet for Mozambique. Evidence from other countries in Sub-Saharan Africa shows no significant results linking HIV/AIDS status and poverty on the individual level (de Walque 2006). Using the first DHS that collected information on HIV status, de Walque (2006) finds a robust correlation between women's HIV/AIDS seropositive status and wealth in Cameroon, Kenya, and Tanzania.<sup>4</sup> For men, the correlation is significantly positive in Cameroon and marginally negative in Burkina Faso. Although the evidence cannot be generalized and the findings are not wholly consistent, no robust indications show that being seropositive is associated with higher poverty in individual asset wealth.

### **The Feminization of HIV/AIDS in Mozambique**

Women account for nearly half the 40 million adults living with HIV in the world and 57 percent in Sub-Saharan Africa. Social determinants of women's vulnerability to HIV include gender gaps in resource access, economic empowerment, bargaining power, poverty, education levels, violence, and cultural and sexual norms. Hormonal changes, vaginal microbial ecology and physiology, and a higher prevalence of sexually transmitted diseases also contribute to women's higher susceptibility. Successful prevention strategies for women address the full spectrum of gender inequalities that promote HIV infection.

The gender gap in infection rates is large and widening in Mozambique. Women make up an estimated 58 percent of those infected with HIV/AIDS. Women ages 20 to 24 are four times more likely than men in the same age group to become infected with HIV/AIDS, and girls and women age 15 to 19 are three times more likely. Moreover, this

**Figure 6.2. Number of HIV/AIDS-Infected People, by Gender, 1998–2010**



Source: Authors' calculations based on data from INE and others 2002.

trend is projected to continue across all age groups, with the gender gap among those 20 to 24 years of age growing most (figure 6.2; INE and others 2002). HIV prevalence among pregnant women rose at 23 of the 36 clinics included in the 2004 surveillance round. Among pregnant women in Caia, along the railway link to Malawi, HIV prevalence rose from 7 percent in 2001 to 19 percent in 2004 (MISAU and National Directorate of Health 2005). No study exists to pinpoint the exact determinants behind this increasing gender gap, but they are often assumed to be social factors. The existence of polygamous relationships and Mozambique's very high prevalence of labor migration (and return migration) of prime-age men may play an important role in combination with gender gaps in access to resources and rights. Moreover, although the prevalence rate for women is three to four times that of men in age group 15 to 29, older age groups do not show the same gender discrepancy in infection rates. In fact, most men infected with HIV are 25 years of age or older.

Low female bargaining power, in combination with the HIV/AIDS stigma, makes women more vulnerable to infection and hampers prevention work in Mozambique. Young women in Maputo city who were involved in multiple transactional or cross-generational relationships report that the use of condoms, or even raising the prospect of using condoms in discussions with sexual partners, was considered to jeopardize income (Hawkins, Mussa, and Abuxahama 2005). The possible long-term effect of contracting HIV/AIDS was seen as relatively less important than the short-term effect of losing income.

These age and gender-related patterns of prevalence, as well as the difference in young women's bargaining power relative to older men, suggest the main drivers of the epidemic. First, relatively older men having sex with multiple partners, without always using a condom, appear to infect women both their own age and in the 15 to 24 age bracket (who in turn infect younger men). Second, cross-generational sexual interactions skew power relations to women's disadvantage, limiting their ability to negotiate for safe sex. Experience from Uganda suggests that efforts to persuade adult men to have fewer sexual partners, complemented by condom prevention, can be successful.

Women's education and wealth determine their awareness of HIV/AIDS and the perceived possibility of discussing it openly with a sexual partner. Women's awareness of HIV/AIDS and knowledge of prevention methods as well as the perceived possibility of discussing prevention with partners differs considerably by area of residence, education

level, and wealth (table 6.1; DHS data for 2003). Less than one-third of women without education could name “condom use” and “limiting sexual relationships to one uninfected partner” as methods to avoid infection. Meanwhile, half of all women with primary education named these methods, as did nearly 80 percent of women with secondary education. This finding is not surprising: the positive effect of education on protective behavior—including condom use, counseling, testing, and discussion among spouses—is evident in all countries that conduct regular surveys on HIV/AIDS through the DHSs (de Walque 2006). At the same time, however, education has been shown to predict a higher level of infidelity and a lower level of abstinence, which may offset the positive effect.

The richer a woman is in Mozambique, the more knowledge she has of prevention methods and the more she is able to broach prevention with her partner (see table 6.1). Women with little or no education and low income might be at greater risk of infection. Although lack of overall awareness of the disease adds to the risk of infection, more important factors appear to be not knowing how to avoid the disease and not being able to discuss it with sexual partners. Evidence shows, however, that knowledge of the disease and of prevention behavior alone does not lead to favorable prevention results (de Walque 2006). In countries that have

**Table 6.1. Awareness of HIV/AIDS and Prevention Methods, 2003**  
percentage

<i>Characteristic</i>	<i>Has heard of HIV/AIDS</i>	<i>Knows using condoms and limiting sex to one uninfected partner reduces risk</i>	<i>Has discussed HIV/AIDS prevention with partner</i>
<i>Area</i>			
Rural	93.7	38.0	45.1
Urban	99.1	57.6	60.3
<i>Education</i>			
No education	91.7	31.1	39.3
Primary	98.2	51.4	56.8
Secondary	100.0	78.5	82.1
<i>Wealth quintile</i>			
Lowest	90.5	29.5	38.5
2nd	93.7	34.3	41.9
3rd	95.9	43.1	50.6
4th	98.7	51.4	53.5
Highest	99.7	65.8	69.2
Average	95.7	45.2	49.5

Source: DHS data for 2003.



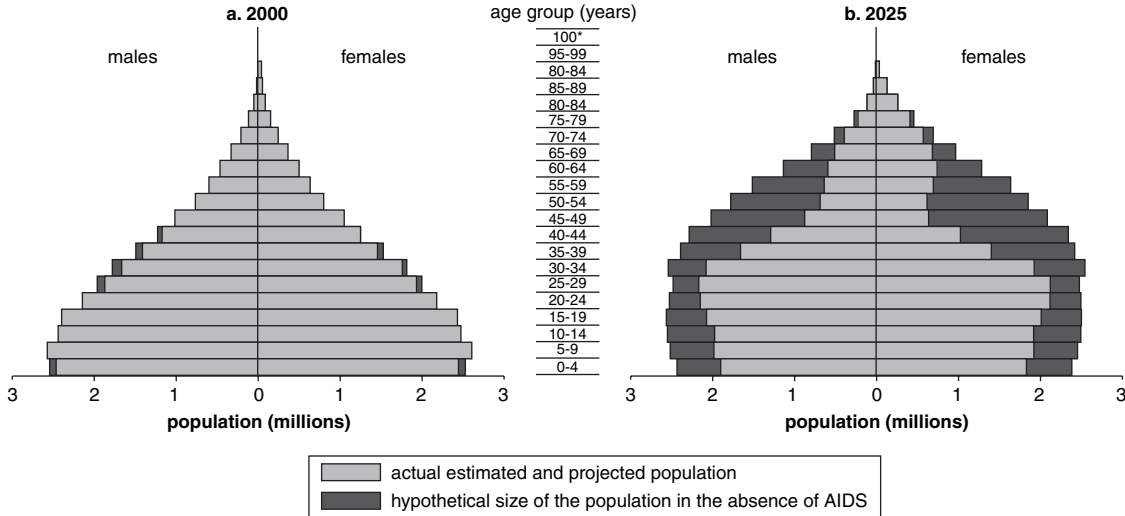
reversed incidence trends, changed sexual behavior—such as fewer partners and increased condom use—has been the most important reason for success. Mozambique's government has started a female condom distribution program to complement its male condom distribution effort. To date, far fewer condoms are distributed per man annually than in neighboring countries, including South Africa, Zimbabwe, and Botswana.<sup>5</sup>

Because HIV/AIDS tends to strike people in their most productive years, older women in Sub-Saharan Africa are assuming an increasingly important care burden, especially for orphans. One survey indicates that two-thirds of caregivers in households affected by HIV/AIDS in South Africa were women, with a third of them older than 60 (UNICEF 2004). The Mozambique IAF contains no time-use module allowing reporting on care for patients or for other family members, and the data do not show particularly large numbers of households headed by women over the age of 60 in any region—so Mozambique's situation may differ from South Africa's. The quantitative survey conducted for this assessment in four provinces, however, indicates that girls and women are almost exclusively in charge of the care burden for sick household members (see box 2.3 in chapter 2).

### **Demographic Effects of HIV/AIDS**

Life expectancy, infant mortality rates, and population structures in Mozambique have deteriorated rapidly because of HIV/AIDS. The demographic impact of HIV/AIDS in Mozambique is thorough: life expectancy is declining fast, and population structures are being distorted. Life expectancy in Mozambique is projected to be 37 years in 2010 rather than the projected 50 years without HIV/AIDS (INE and others 2002). Infant mortality in Mozambique is expected to be at least 25 percent higher in 2010 with HIV/AIDS than it would have been without it (WHO 2005).<sup>6</sup> Current population projections for Mozambique show the demographic pyramid changing from a concave shape, with a relatively young population, to a convex shape.<sup>7</sup> If the current HIV/AIDS incidence trend continues, the demographic structure of the population could transform radically from a pyramid to a chimney, approaching the projections for neighboring South Africa, with fewer people in their 50s than in their 60s and fewer women than men in the prime-age categories (figure 6.3). In countries with prevalence rates higher than 20 percent, the population is estimated to be more than one-third smaller than it would be without HIV/AIDS (UNAIDS 2004).

**Figure 6.3. Population Projections for South Africa, with and without HIV/AIDS, 2000 and 2025**



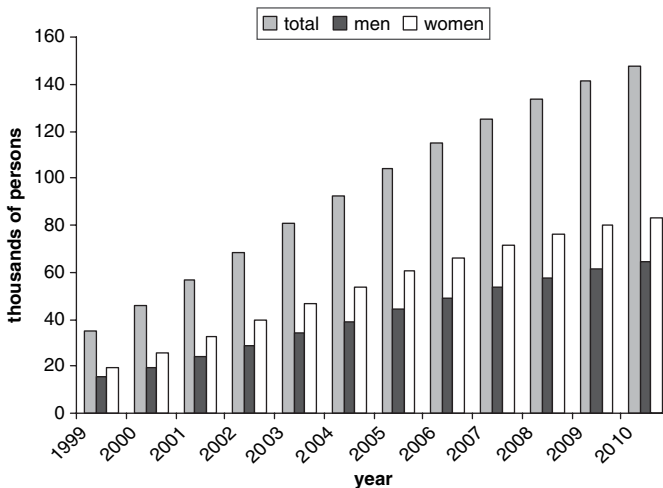
Source: United Nations Population Division.

HIV/AIDS tends to be most concentrated among prime-age adults, with considerably negative effects for the size of the active labor force. The female labor force in Mozambique risks a larger decline: prevalence and mortality rates for women are substantially higher than for men, and women are the prime caregivers in Mozambique's households (figure 6.4). Projections of AIDS deaths suggest that two current key demographic characteristics of the pandemic will continue: an increasing number of adult deaths and a widening gender gap, with more women dying from AIDS than men every year. The consequence will be higher household dependency ratios, with potential poverty effects on households that divert resources from productive investments, ultimately dampening economic growth.

### Orphans

The increasing number of children who have lost one or both parents is a grim effect of the HIV/AIDS epidemic. The well-being of orphaned children almost always suffers, with potentially negative consequences for their socioeconomic status in adulthood. Lower psychological well-being, lower education levels, food shortages, and exposure to violence are possible consequences. Mozambique had many orphans before the HIV/AIDS epidemic, and large numbers of non-AIDS orphans will continue to exist in the future.

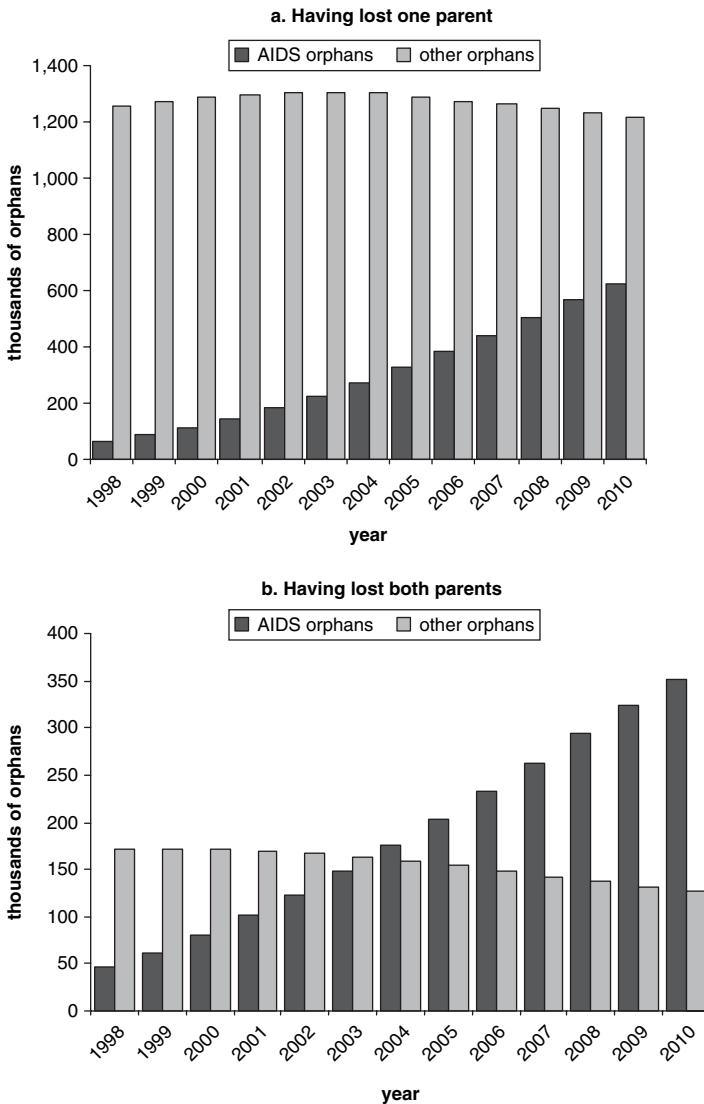
**Figure 6.4. Expected AIDS Deaths, Age 15 and Older, 1999–2010**



Source: Authors' calculations based on data from INE and others 2002.

An estimated 441,000 children (defined as under 18 years of age) had lost one or both parents to AIDS in 2007, twice the number than in 2003. MISAU estimates that since 2004, children having lost both parents to AIDS outnumber those having lost parents by other causes (figure 6.5). The trend is projected to continue. By any measure, Mozambique's orphaned

**Figure 6.5. Number of Orphans, Age 0 to 17, 1998–2010**



Source: Authors' calculations based on data from MISAU and GoM 2007.

**Table 6.2. Ratio of Current School Attendance of Orphans to Nonorphans, by Type of Orphan, 2003**  
*percentage*

<i>Type of orphan</i>	<i>2003</i>
Maternal	0.81
Paternal	0.97
Both parents died	0.80

*Source:* GoM 2006, based on DHS data.

population is among the world's largest.<sup>8</sup> The presence of this many orphans has numerous consequences. One is potentially lower aggregate education, because orphaned children face a lower probability of attending school. The DHSs for 1997 and 2003, however, show the difference in school attendance declining between orphans and nonorphans, with the gap closing more for male than for female orphans (table 6.2).

### ***The Effect of HIV/AIDS on the Livelihoods of Poor Households***

Increasing mortality rates caused by the HIV/AIDS epidemic can be expected to significantly affect agriculture and rural development. Many studies report a multifaceted loss to the livelihood of a rural household caused by HIV-related prime-age adult illness and death. Predicted effects on households include loss of income, loss of on- and off-farm labor, loss of technical knowledge of agricultural production and marketing—and the liquidation of assets, including farm equipment and livestock, to cover medical and funeral expenses. Evidence from across the developing world of the effects on rural households' livelihoods is heterogeneous, with factors such as the sex of the deceased prime-age adult and the prior poverty level of the household shown to be significant.

Rural households in Mozambique with a prime-age adult death do not on average face worse poverty than households without a prime-age adult death, but important gender-related differences exist. A study based on a three-year panel of more than 4,000 households surveyed in 2002 and 2005 showed that the impact of prime-age mortality caused by illness varies considerably by the sex and the household position of the deceased individual as well as by region (Donovan and Mather 2007). A prime-age male death is more likely to significantly reduce household size, income, and assets than a prime-age female death.

Households faced with a prime-age female death are considerably more likely to attract a new prime-age female than households with a prime-age

male death are to attract a new prime-age male. When a prime-age male dies in rural Mozambique, evidence indicates that no new man joins the household (Donovan and Mather 2007). Instead, the household tends to become female headed. In fact, when a prime-age male dies, estimates show that death results in a significant loss to the household of 1.23 members, indicating that some children leave the household when men die (table 6.3). Households that lose a prime-age woman to HIV/AIDS, in comparison, face a size reduction of only 0.17 adults, indicating that of five households, more than four with a prime-age female death were able to attract another prime-age adult to the household. This finding also holds when looking at difference-in-differences analysis between households with prime-age death and households without it.

A prime-age male death results in a significant loss of 25 percent of household income, whereas households facing a prime-age female death report no significant income loss. Households losing a prime-age woman face no income loss because her labor is replaced by recruiting another prime-age adult (Donovan and Mather 2007). Consumption requirements in male-death households also fall by 25 percent, with the net effect that no significant income loss occurs per adult-equivalent member in the household.

Gender-related differences exist in asset ownership effects of a prime-age death. A prime-age male death results in a 21 percent reduction in landholding, compared with an 18 percent reduction following a prime-age female death. The regional variation is large, however, with reductions on total landholdings significant and larger in the north when prime-age women die (results are not significant in the south). This pattern may be a result of matrilineal systems north of the Zambezi, where the deceased woman's brother may inherit the land (Donovan and Mather 2007). A prime-age male death causes sizable reductions in livestock, but no significant reduction occurs in response to a prime-age female death.

Widow-headed households experience significant reductions in size and in assets that make them vulnerable to future shocks. The gender-related difference in household coping mechanisms bodes ill for widow-headed households' longer-term welfare. Significant reductions in landholdings and in livestock assets mean that they will have to rely on lower livestock income, making them more vulnerable to future income shocks (Donovan and Mather 2007). The TIA that underlies this research does not provide much information on actual time use of adults or children, and the analysis therefore implicitly assumes that children are not playing a role in household income generation.<sup>9</sup> With many consumption studies

**Table 6.3. Difference-in-Differences Analysis of Rural Household Composition by Gender of Deceased Prime-Age Adults in Mozambique, 2002–05**  
percentage

Household composition	Households with male prime-age death			Households with female prime-age death			Households without prime-age death			Difference-in-differences	
	$X_{2002}$	$X_{2005}$	$\Delta X^M$	$X_{2002}$	$X_{2005}$	$\Delta X^F$	$X_{2002}$	$X_{2005}$	$\Delta X_O$	$\Delta X^M - \Delta X_O$	$\Delta X^F - \Delta X_O$
Household size	6.48	5.24	-1.23	5.69	5.52	-0.17	4.91	5.29	0.37	-1.61	-0.54
Male adults	1.89	1.12	-0.78	1.32	1.54	0.22	1.23	1.31	0.09	-0.86	0.13
Female adults	1.90	1.77	-0.13	1.93	1.57	-0.36	1.38	1.47	0.09	-0.21	-0.45
Boys 5–14	0.93	0.83	-0.10	0.85	0.77	-0.08	0.76	0.87	0.11	-0.21	-0.19
Girls 5–14	0.80	0.81	0.01	0.85	0.82	-0.03	0.71	0.83	0.12	-0.11	-0.15
Young children 0–4	0.96	0.68	-0.28	0.74	0.83	0.09	0.83	0.80	-0.03	-0.25	0.12
Household size (adult equivalent)	5.04	4.01	-1.02	4.40	4.23	-0.17	3.68	3.95	0.28	-1.30	-0.44
Prime-age adults	3.52	2.59	-0.93	2.93	2.77	-0.16	2.38	2.51	0.14	-1.07	-0.30
Elderly adults	0.27	0.29	0.03	0.32	0.33	0.01	0.23	0.27	0.04	-0.01	-0.02
Dependency ratio <sup>a</sup>	0.90	1.25	0.35	1.10	1.11	0.01	1.19	1.29	0.09	0.26	-0.08
Cases	115	115		121	121			3,806	3,806		

*Source:* Author's calculations from TIA 2002–05 panel.

*Note:* Households with more than one prime-age death are excluded ( $N = 23$ ).

a. Dependency ratio is effective dependency ratio: (children + adults over 60 + prime-age adults with chronic illness) / prime-age adults without chronic illness.

showing that money in the hands of female adults is more likely to be spent on children's food, education, and health, children may be more likely to be pulled from school by a surviving widower in Mozambique than by a surviving widow when a new prime-age woman is not recruited to the household.

Studies from other countries in Sub-Saharan Africa show that children in households with a prime-age death are less likely to go to school; variations depend on the sex of the child and of the parent who died. Whether HIV/AIDS-related or not, adult morbidity and mortality reduce children's school enrollment and achievement. In Kenya, school participation declines substantially after a parental death, especially when the mother dies and when the child is a young girl or a weak student (Evans and Miguel 2005). In South Africa, a maternal death reduces not only the child's probability of being enrolled in school but also the average years of schooling and the average money spent on education (Case and Ardington 2004). These findings appear to hold for Mozambique, where both the sex of the deceased parent and the sex of the child affect enrollment likelihood, with maternal deaths and female children being the combination with the most adverse effect on education (see table 6.2). This effect could reopen the gender gap in enrollment and completion rates, which has been closing.

Neighboring countries also show effects of a prime-age adult death on household income, cropping patterns, and labor availability—effects that depend on the sex and household position of the deceased. Despite the difficulty in making meaningful generalizations from country-specific studies, evidence from neighboring countries corroborates the findings for Mozambique. Poor rural farm households in Zambia have more difficulty coping with the death of a male household head than nonpoor households (Chapoto and Jayne 2005).<sup>10</sup> No general switch was made to labor-saving crops, such as roots and tubers, among households that lost a prime-age member (Chapoto and Jayne 2005).<sup>11</sup> In Malawi, women from households that experienced prime-age death reallocate their time from labor-intensive farming and heavy chores to cash-generating tasks, while men's time appears to be insensitive to the shock (Anglewicz and others 2005). Household size in Kenya declined significantly in the case of a male death but not a female one. Moreover, the death of a head of household or spouse affected family size negatively, whereas the death of a nonhead or nonspouse did not affect family size (Yamano and Jayne 2004). In Rakai, Uganda, household size declined by one person after any type of prime-age death (Menon and others 1998). Although the



evidence from other countries in the region is heterogeneous, in most cases, households appear not to recruit new members following the death of a male prime-age adult, in contrast to when a female prime-age adult dies.

### **Macroeconomic Impact of HIV/AIDS**

The negative effects of HIV/AIDS on the economic growth prospects for Mozambique are estimated to be severe. The effects of HIV/AIDS on Mozambique's growth prospects were first estimated in 2003 in a computable general equilibrium model that explored the constraints on growth of the productivity growth impact; the population, labor, and human capital accumulation impact; and the physical capital accumulation impact (Arndt 2003). The model estimated that Mozambique's economy will be between 14 percent and 20 percent smaller in 2010 because of HIV/AIDS.<sup>12</sup> Depending on the scenario modeled, the prevalence of HIV/AIDS restricts Mozambique's economic growth by an estimated 0.3–1 percentage point annually because of negative effects on human capital accumulation, decreases in productivity caused by lower health and education and loss of knowledge, diminished labor force due to higher mortality, and diversions of government and household resources from investments to higher spending on health. The most significant growth slowdown effect for Mozambique—a full 41 percent—was from lower productivity. The physical capital accumulation effect accounted for 35 percent of the slowdown, and demographic and labor force effects accounted for 24 percent.<sup>13</sup>

Subsequent modeling exercises corroborate the order of magnitude of reduced growth caused by the HIV/AIDS epidemic. A growth accounting model from 2007 indicates considerable potential of the epidemic to weaken future economic growth (Jones 2007). The base case uses official government HIV/AIDS prevalence estimates (16 percent of the working population) and indicates a significant cost to the economy. A hypothetical 0 percent HIV/AIDS scenario estimates annual growth to be 0.8 percentage point greater than in the base-case scenario, consistent with earlier estimates for both Mozambique and other high-prevalence countries. The model does not account for some of the more complex dynamics associated with the disease, such as the relationship between general health conditions and infection, as well as the lag between infection and symptoms.

## Antiretroviral Treatment

Antiretroviral treatment (ART) coverage in Mozambique increased rapidly in 2006, with higher coverage in the southern provinces than in northern ones. The first-line drug regimen in Mozambique is estimated to cost US\$140 per person per year (UNAIDS and WHO 2006c).<sup>14</sup> In October 2005, only 32 sites administered ART, and Mozambique's coverage rate was in the bottom tier in the region (table 6.4). In 2006, a great improvement occurred, and in December, 150 sites in Mozambique were administering ART to 44,100 patients, 16 percent of those estimated to need treatment (table 6.5). By comparison, across Africa an overall estimated 4.7 million people needed ART in 2005, while 810,000 of them—17 percent—received it (table 6.4).<sup>15</sup>

Antiretroviral coverage in Mozambique varies by region. Coverage declines the more northern the region, matching the prevalence pattern (table 6.6). A March 2007 supervision mission found a considerable expansion of the government program to rural areas over the previous six months, with 37 percent of all patients receiving antiretroviral treatment outside the provincial capitals.<sup>16</sup> Yet 39 percent of antiretroviral

**Table 6.4. ART Coverage in Mozambique and Neighboring Countries, 2005**

<i>Country and region</i>	<i>Estimated number of people, age 0–49 years, needing ART, 2005</i>	<i>Reported number of ART coverage, December 2005</i>	<i>Reported number of sites providing ART, September–December 2005</i>
Mozambique	216,000	9	32
Malawi	169,000	20	60
South Africa	983,000	21	183
Tanzania	315,000	7	96
Zambia	183,000	27	more than 110
Zimbabwe	321,000	8	48
Sub-Saharan Africa	4,700,000	17	

*Source:* UNAIDS and WHO 2006c.

**Table 6.5. Number of People Receiving HAART in Mozambique, 2006**

	<i>September</i>	<i>October</i>	<i>November</i>	<i>December</i>
Number receiving HAART	34,184	37,133	40,475	44,100
Estimated number in need of HAART				270,317
Percentage receiving HAART				16

*Source:* MISAU and GoM 2007.

*Note:* HAART = highly active antiretroviral therapy.

**Table 6.6. People Receiving HAART in Mozambique, by Gender and Region, October 2005***percentage*

<i>Region</i>	<i>Male</i>	<i>Female</i>	<i>Total</i>
South	17.9	17.4	17.6
Central	4.6	4.4	4.5
North	1.6	1.3	1.4
All regions	7.4	7.4	7.4

*Source:* GoM 2006, based on DHS data.*Note:* HAART = highly active antiretroviral therapy.

patients received treatment in Maputo city. At the end of December 2006, 59 percent of those who had received treatment were women.

Access to ART can allow AIDS victims longer and healthier lives and improve the economic situation of the household and the probability of school enrollment for household children. No study on the effect of ART on the labor force exists for Mozambique. Evidence from Kenya finds, however, that after six months of treatment, the probability of the patient's participating in the labor force increased by 20 percent, and the number of working hours per week increased by 35 percent (Thirumurthy, Graff Zivin, and Goldstein 2005).<sup>17</sup> Moreover, young boys and women living with the patient worked significantly less after the patient started the treatment while young girls and men worked the same. The findings suggest that treatment could be good for reducing young boys' labor.

## Summary and Conclusions

Mozambique's rapidly rising prevalence rate calls for significantly increased efforts to prevent infection by changing risk-taking sexual behavior, particularly older men's. A main driver behind Mozambique's high incidence appears to be fairly older men having multiple sexual relations, while not always using condoms, with both women from younger age categories (particularly ages 15 to 24) and women of their own age. Experience from Uganda suggests that efforts to persuade men to have fewer sexual relations and to use condoms can slow incidence.

HIV/AIDS in Mozambique is dramatically feminized, and the gender gap continues to grow. Women make up an estimated 58 percent of the HIV/AIDS-infected population but outnumber men by four to one between ages 20 and 24. Low female bargaining power and the HIV/AIDS stigma make women more vulnerable to infection—and hamper prevention

work. This situation is exacerbated by intergenerational sex, with older men having sexual relations with younger women. Women's education and wealth determine their awareness of HIV/AIDS and the perceived possibility of discussing it openly with a sexual partner. The richer wealth quintile a woman belongs to in Mozambique, the more knowledge she has of prevention methods and the more she is able to broach the topic of prevention with her partner.

HIV/AIDS-affected households are difficult to target for poverty reduction because only certain subgroups experiencing a prime-age adult death are worse off than unaffected households. In rural Mozambique, widow-headed and high-dependency-ratio households are worse off than unaffected households. The labor constraint for affected households does not appear generally significant for Mozambique. The potential poverty effects for HIV/AIDS-afflicted households may be offset more efficiently by investing generally in labor-saving technologies, both for domestic tasks, such as fetching water and firewood, and for agricultural production.

The number of AIDS orphans is large and growing, and they are less likely to attend school. Evidence from neighboring countries shows that the decline in enrollment probability depends on the sex of the deceased parent and the sex of the child who lost a parent: the negative effects are larger for a maternal death and a female child. This correlation has not been investigated for Mozambique, but it may be a threat to the efforts of closing the gender gap in education.

The HIV/AIDS epidemic risks lowering economic growth rates by as much as 1 percent annually. Two modeling exercises estimate that HIV/AIDS reduces per capita growth between 0.3 and 1 percentage point a year.



## CHAPTER 7

# The Poverty Reduction Strategy

## *Evolution and Prospects*

Mozambique has been a regional leader in developing a locally owned poverty reduction strategy and implementation program and in coordinating and harmonizing international support. Mozambique's first poverty reduction strategy was published in 1995, even before comprehensive national household survey data became available. The 1997 National Household Survey on Living Conditions (Inquérito aos Agregados Familiares; IAF) and subsequent analysis led to the publication in April 1999 of a new strategy titled Action Guidelines for Eradication of Absolute Poverty. The first Plano de Acção para a Redução da Pobreza Absoluta (poverty reduction strategy; PARPA) was prepared in December 1999 as a fuller statement of the action guidelines and implementation strategy. After public discussion, PARPA I was slightly revised and presented to donors as the government's Poverty Reduction Strategy Paper as the basis for donor support in 2001–05. Following the successful implementation of PARPA I, PARPA II was completed in 2006 and is now being implemented in 2006–10.<sup>1</sup>

The detailed poverty reduction strategy articulates the Mozambican government's strategic vision for poverty reduction by promoting increased productivity and by improving the capacities and opportunities of all Mozambicans. PARPA I elaborated priority policies and programs

that would foster human development and broad-based economic growth. Emphasizing the link between sustained growth and poverty reduction, the strategy incorporated policies and reforms to stimulate growth, identifying physical and human capital and rising productivity as fundamental macro-economic determinants of growth. PARPA II maintained this strategic focus, organized around three main pillars: governance, human capital, and economic development. The vision common to both PARPAs includes consolidating national unity, developing each citizen's human potential, creating a working institutional system, and increasing the ability to create national wealth (table 7.1).

For PARPA I, citizen and civil society participation were an afterthought, involving national chief security officers and individuals mainly in Maputo at a late stage. Nevertheless, PARPA I itself opened space for a more participatory process in the development of planning instruments (including PARPA) and committed to a permanent process involving representatives of government, the private sector, trade union confederations, civil society, and donors. To achieve this goal, on April 28, 2003, the Mozambican government formally set up the poverty observatory (PO) with donor support.<sup>2</sup>

Opportunities exist to build on the successes not only of the PO but also of decentralization, and specifically to link the POs at national and provincial levels to the bottom-up planning and monitoring of the consultative councils and forums at district levels and below. Given the many complexities, including the low capacity of civil society and citizens, particularly at the lower levels of the state, further resources and investments will be needed to develop a fully functioning and participatory monitoring system in Mozambique. The effectiveness of the POs and their influence on shaping and informing policy depend on an array of issues. These issues range from the measures to strengthen the broader enabling environment for participation and civic engagement (financial resources, information transparency and availability, and enhanced government and civil society capacity), to the actual spaces and opportunities to participate (scheduling, sequencing, and openness of participation forums), to the inclusiveness and representativeness of the mechanisms for participation by stakeholders. Their effectiveness also depends on aligning monitoring and evaluation systems and cycles.

## **PARPA I**

The government set out in 1999 its key objective of reducing absolute poverty. PARPA I was based on the diagnosis of poverty determinants in

**Table 7.1. Key Features of PARPA I and II**

<i>Feature</i>	<i>PARPA I</i>	<i>PARPA II</i>
State of poverty	In 1997, 69.4 percent of the population was below the poverty line.	In 2003, 54.1 percent of the population was below the poverty line.
Economic growth	In 2001–05, Mozambique had an average growth of 8.8 percent a year.	In 2006, gross domestic product (GDP) grew 7.9 percent. Between 2006 and 2009, Mozambique is expected to have an average real GDP growth rate of 7.0 percent a year.
General objectives	<p>PARPA I targeted a real GDP growth rate of 8 percent a year for 2001–05 and aimed at reducing the poverty head count to less than 60 percent by 2005.</p> <p>It stressed the need for good governance as a condition of poverty reduction.</p>	<p>PARPA II targets an average annual growth rate of 8 percent and aims to reduce the poverty head count from 54 percent in 2005 to 45 percent by 2009. It focuses on poverty reduction and economic growth through decentralization.</p>
Targeted areas and objectives	<p>Six targeted areas:</p> <ul style="list-style-type: none"> <li>• Education: Provide universal education and improve quality and increase efficiency of schooling.</li> <li>• Health: Improve access to and quality of health care for women.</li> <li>• Basic infrastructure: Establish connection between provinces through better and new roads, expand access to energy, promote sustained water use, and increase sewerage.</li> <li>• Agriculture and rural development: Increase productivity and income.</li> <li>• Good governance: Introduce decentralization, increase institutional efficiency, and reduce corruption.</li> <li>• Macroeconomic and financial administration: Promote macroeconomic stability,</li> </ul>	<p>Pillar 1: Governance</p> <ul style="list-style-type: none"> <li>• Consolidate national unity, peace, justice, and democracy.</li> <li>• Fight corruption, excessive bureaucracy, and crime.</li> <li>• Strengthen international cooperation to benefit the country.</li> <li>• Develop the country harmoniously.</li> </ul> <p>Pillar 2: Human capital</p> <ul style="list-style-type: none"> <li>• Expand and improve education, access to health care, and access to potable water and adequate sanitation.</li> <li>• Promote self-esteem of the population and increase awareness of a culture that values work, enthusiasm, honesty, and accountability.</li> <li>• Help youths realize their potential and their creative and entrepreneurial abilities—and participate in society.</li> </ul>

*(continued)*



**Table 7.1. Key Features of PARPA I and II** (continued)

<i>Feature</i>	<i>PARPA I</i>	<i>PARPA II</i>
	increase budget transparency, minimize the risks of financial crisis (especially in rural areas), and develop microenterprises.	Pillar 3: Economic development <ul style="list-style-type: none"> <li>• Foster rural development.</li> <li>• Develop the national business community.</li> <li>• Create an environment favorable to business investment.</li> </ul>
Donor financing	In 2000, donor funds amounted to 10.7 percent of GDP, and in 2001–05 they were expected to average 11.5 percent.	In 2005, donor funds amounted to 6.6 percent of the GDP, and for 2006–09, they are expected to average 9.2 percent of the GDP.
Monitoring and evaluation	Monitoring products: <ul style="list-style-type: none"> <li>• One report every trimester to monitor activities related to PARPA's goals and to analyze sectoral indicators relevant to poverty reduction</li> <li>• Annual report (April) to monitor activities linked to PARPA's goals, to analyze annual results, and to reformulate goals</li> <li>• Annual impact report (June) to evaluate changes in household welfare and to present annual indicators of impact</li> </ul>	Monitoring products: <ul style="list-style-type: none"> <li>• Annual National Economic and Social Plan (PES) balance sheet</li> <li>• Annual Provincial (PES) balance sheet</li> <li>• Annual reports on execution of the State Budget</li> </ul> Evaluation products: <ul style="list-style-type: none"> <li>• Impact Evaluation Report one year prior to PARPA revision</li> <li>• Survey of family units (IAF) every five years</li> <li>• Questionnaire for Basic Indicators of Well-Being every two years</li> <li>• Demographic and Health Survey every five years</li> </ul>
Participation	Consultations were extensive, but civil society was brought in only at the last stage, leaving limited space for civil society voice. The Poverty Observatory (PO) was created during implementation.	Government began the consultative process during the election campaign in fall 2005. Through the mechanism of the national PO, consultations were held during the preparation period, providing space for civil society input. In 2006, the government began creating provincial POs.

Sources: GoM 2000, 2005.

Mozambique from the analysis of the first IAF, international experience with poverty reduction studies, and consultations with civil society and the private sector. It listed the following main causes of poverty:

- Slow growth of the economy until the beginning of the 1990s
- Low levels of education, particularly of women
- High dependency rates
- Low productivity in the family agricultural sector
- Lack of employment opportunities
- Poor infrastructure

In addition, it pointed to the country's vulnerability to natural disasters and economic shocks.

To address these causes, PARPA I focused on implementing priority policies and programs that would foster human development and broad-based economic growth. Emphasizing the link between sustained growth and poverty reduction, the strategy incorporated policies and reforms to stimulate growth, identifying investment in physical and human capital and rising productivity as fundamental macroeconomic determinants of growth. The following were priority areas for action:

- Education—Provide universal education, improve quality, and increase efficiency of schooling.
- Health—Improve the access to and quality of health care for women.
- Basic infrastructure—Establish a connection between provinces through better and new roads, expand access to energy, promote sustained water use, and increase the provision of sewerage.
- Agriculture and rural development—Increase productivity and income.
- Good governance—Introduce decentralization, increase institutional efficiency, and reduce corruption.
- Macroeconomic and financing administration—Promote macroeconomic stability, increase budget transparency, minimize the risks of financial crisis (especially in rural areas), and develop microenterprises.

To ensure that growth policies would favor and reach the poor, the strategy aimed at increasing allocations to public programs beneficial to the poor, such as education, health, and infrastructure. The strategy emphasized the balance between regions and focused on providing service in areas with high concentrations of poverty. Detailed policies and programs were developed for each subsector in the six priority areas. Institutional reform was identified as an overarching issue.

PARPA I also gave priority to structural policies that stimulate equitable growth. These policies included (a) raising productivity and developing markets for small producers in rural family agriculture, (b) accelerating job creation and increasing opportunities for nonagricultural activities, (c) stimulating investment in labor-intensive industry and services, and (d) improving conditions for micro and small enterprises. Recognizing the weakness of the consultative process for PARPA I, the government committed to the development of “tools and procedures for consultations” to create a “systematic, agile and effective model for carrying out consultations” (GoM 2005: 102, English version).

The strategy, prepared by a unit in the Ministry of Planning and Finance (MPF), was seen from the beginning as an important instrument of government planning and budgeting. This vision contrasts with strategies in some other countries, which were seen as a plan for the donors and only later mainstreamed into regular government processes and workflows. The initial monitoring and evaluation strategy proposed using existing mechanisms—mainly the annual report to parliament—and collecting new household survey data to supplement the indicators in this annual report. A concise set of indicators was provided for monitoring progress.

The review by the World Bank and the International Monetary Fund cited as strong points of PARPA I the poverty diagnostics; the strong sectoral programs, including the prioritization and focus on macrostability and growth; and the financing plan. Weaknesses seen at the time were the limited identification of risks, the weak link with the budget process, and the plans for implementation of the monitoring and evaluation program set out in PARPA, including consultation with civil society during the implementation.

Implementation of PARPA between 2001 and 2005 went reasonably well. As expected, given the fragile public management capacity at the time, implementation was more effective in some sectors than others (see chapter 4). Monitoring and evaluation continued to be a problem during the whole period. The government addressed the consultation issue by creating the PO (discussed later).

One of the outstanding successes of PARPA I was its use for coordinating international donors and harmonizing donor programs with government objectives. The donor community accepted PARPA wholeheartedly as the focal point for their own strategies. As a part of an effort to streamline the monitoring process, government and donor sector working groups

were formed to support an annual review of PARPA progress in each sector. Through the sector working groups, donors partnered with the government to ensure alignment of the budget with PARPA such that international financing could be provided through pooled funds at the sectoral level (sectorwide approaches) and eventually through general budget support.

## **PARPA II**

After evaluation of PARPA I by the government, civil society, and international partners, PARPA II was drafted from inputs by international and local consultants, sectoral working groups, and the national and provincial POs created to follow PARPA's progress and performance. On the basis of conclusions from the evaluation consultation, the collaborators decided that PARPA II should continue the priorities of PARPA I, while sharpening the focus on conditions for sustained economic growth through district-based development, productive sector growth, financial system improvement, small- and medium-size enterprise support in the formal sector, and internal revenue collection systems and methods for allocating budgeted funds.

PARPA II is organized around three main pillars: governance, human capital, and economic development. The elements common to the three pillars include consolidating national unity, developing each citizen's human potential, creating a functioning institutional system, and increasing the ability to create national wealth. Within each pillar, the main objectives were defined as follows:

- Pillar 1: Governance
  - Consolidate national unity, peace, justice, and democracy.
  - Fight corruption, excessive bureaucracy, and crime.
  - Strengthen international cooperation to benefit the country.
  - Develop the country harmoniously.
- Pillar 2: Human capital
  - Expand and improve education, access to health care, access to potable water, and adequate sanitation.
  - Promote self-esteem of the population and increase awareness of a culture that values work, enthusiasm, honesty, and accountability.
  - Help youths realize their potential and their creative and entrepreneurial abilities—and participate in society.

- Pillar 3: Economic development
  - Foster rural development.
  - Develop the national business community.
  - Create an environment favorable to business investment.

Objectives were also defined for eight cross-cutting topics: gender, HIV/AIDS, the environment, food and nutrition security, sciences and technology, rural development, natural disasters, and demining.

PARPA II aimed at maintaining the high average annual growth rate for previous years along with continuing poverty reduction. It noted that economic growth might begin to depend more on productivity gains and on domestic saving, two significant challenges in the future. It also recognized the importance of the consolidation of peace and social stability. The integration and balanced development of the nation were a priority of PARPA II, as were regional and global integration.

Building on the success of PARPA I, PARPA II specifically highlighted increasing donor alignment and harmonization, including specific activities and measures. Maintaining close coordination with the international community to continue the flow of aid (particularly to the state budget) was emphasized as an important policy objective. The PARPA II process devoted significant time to reaching agreement through all sector working groups on a strategic matrix of indicators that could be monitored, which all donors would use to monitor their own projects as well as government results. This agreement eliminated the need for ministries and project executing agencies to maintain multiple systems to satisfy each donor's requirements.

An action plan for collecting and processing the required monitoring and evaluation data was not specified. Some data are available through administrative data collection systems, such as the number of grade repetitions or the percentage of children immunized. Many require the collection of household survey data. PARPA II proposed the collection of these data every five years (the next demographic and health survey and IAF would be in 2009), which is not adequate for monitoring purposes.

The World Bank–International Monetary Fund review of PARPA II cited as strong points the commitment to intensify and expand the work on governance and capacity building, the recognition of the challenges of HIV/AIDS and the credible strategy for accelerating the national response, and the more active role of the private sector. It noted that the agriculture and rural development sections were vague, suggesting greater clarity about how agricultural growth can be ensured through

increased farm-level productivity and greater access to markets. It also called for a credible and specific data collection plan and for the use of an integrated financial management system to identify priority expenditures defined in PARPA within the national budget and to be able to monitor progress in real time.

### **Civic Engagement in the PARPA Process<sup>3</sup>**

The main objective of the PO is to monitor and evaluate performance in the implementation of PARPA. The PO is expected to make suggestions to the government to maximize the effect of PARPA's implementation (Francisco and Matter 2007: 26). Secondary objectives are to provide guidance to the government and to ensure transparent interaction between the government and its partners in the fight against poverty—and to ensure that information and data pertaining to the poverty reduction process are effectively disseminated.

The PO is a consultative forum comprising an ad hoc advisory group—the Opinion Council—and a technical secretariat of civil servants to coordinate its work that is located in the MPF. The Opinion Council has 60 members, split evenly among 20 representatives from central bodies, 20 from international development partners, and 20 from civil society organizations.

Since the launch of the PO in 2003, six national consultations have been held. Provincial POs (PPOs) have been organized in all but one province; some have up to three PPOs (Nampula).<sup>4</sup> Focused working groups based on specific topics have been established within this structure.

After the first consultation in 2004, the original 20 participating civil society representatives established the “G20” group of civil society organizations to coordinate their input to the PO more effectively. The G20 now comprises more than 20 organizations, representing a wide variety of groups that include religious groups, trade unions, private sector groups, and civil society groups. The main result has been the development of annual participatory poverty assessments—the annual poverty report (*Relatório Anual da Pobreza*)—which, as the G20's main input to the PO process, provides an alternative perspective on poverty in the country, aiming usually to present the voices and perspectives of the poor. The report, the first and most extensive of its kind, “incorporated the voice of the common people, integrated into a participatory dynamic at provincial level. Therefore, it is not meant to be seen as a confrontation with official figures, but rather as

a contribution that is rooted in the opinions of thousands of people” (G20 2004: 5).

Recent reviews concluded that the PO experiment has provided an important first step toward ensuring greater civic engagement in monitoring and evaluating PARPA. It may serve in the longer term to ensure greater downward accountability and responsiveness of government actions and performance. Mozambique is one of a handful of countries—including Armenia, Tanzania, and Uganda—that have developed a well-functioning institutional framework for participatory monitoring with an established permanent forum between the government and other stakeholders dealing with poverty reduction strategy monitoring. The extension of the PO framework to the provincial level, as well as the experience with consultative councils at the district level, suggests a growing willingness and interest by the government in engaging with civil society and citizens more broadly in the planning and monitoring of public policy. With only a decade of multiparty democracy experience, the PO system is an admirable achievement.

The POs have reshaped the poverty debate and positioned civil society and citizens more generally as legitimate actors and stakeholders in public policy making. With the annual poverty reports, and particularly the efforts that went into producing the 2004 report, the G20 helped bring attention to the multidimensional nature of poverty in Mozambique and to the need for participatory and qualitative data collection and analysis in shedding light on poverty’s many dimensions.

The overall effect of the PO is less than its promise because of structural constraints in both the PO and the broader monitoring and evaluation architecture. A recent self-assessment by civil society of its role in poverty monitoring raised concerns about the definition of the PO’s roles and responsibilities, its structure and articulation with other monitoring and evaluation systems, the broader development infrastructure in Mozambique, and the quality and inclusiveness of civic engagement and participation in the PO. The quality of participation of PO stakeholders in poverty monitoring, and particularly the G20, depends on the broader enabling environment for participation and civic engagement, the actual spaces and opportunities to participate, and the inclusiveness and representativeness of the mechanisms for participation.

### ***Structure and Function of the Poverty Observatories***

A lack of clarity exists about the internal makeup and structure of the PO. Guidelines have been developed for the PO, but they are vague

about the PO's overall purpose, structure, and regular functioning. The division of roles and responsibilities between the different actors involved in the POs—the government, donors, and civil society—is also unclear, as is the relationship of the PO with other, more-established actors on the development and poverty monitoring scene. No legal basis actually exists in Mozambique for the PO or for participatory monitoring of the poverty reduction strategy, more generally, although the objectives of the PO suggest that it should be a permanent feature.

Particularly worrisome from a public accountability perspective is the lack of clarity about the results and recommendations expected of the POs and about how such recommendations fit into the government's poverty planning and programming cycle. No systematic feedback mechanisms exist between the government and the PO. Some senior technical officials at the MPF are considering including participatory approaches in proposed annual impact monitoring reports for PARPA, but these reports would be prepared independently of the PO, thus duplicating the annual poverty report.

Although the PO may be open to all citizens, membership in the G20 is not necessarily automatic and open to all citizens. Indeed, a clear weakness of the G20 is its lack of representatives from the informal private sector, which in Mozambique—like most poor countries—absorbs the majority of the working population (Francisco and Matter 2007: 36). Indeed, the active participants in the POs are generally members of a relatively small and mostly urban middle-class elite (Francisco and Matter 2007: 37). The poor, especially poor women, do not really participate in the POs, although most POs claim to represent them. The G20, however, has tried to integrate the voices of the poor in its annual poverty reports, especially in the 2004 report, which included interviews with more than 10,000 individuals and 100 organizations.

These concerns are perhaps even greater at the provincial level, partly because of the lack of standardization of PO practices (Rasappan, Mariappan, and Rodolfo 2006: 4). Coordinating and sequencing activities between the different levels have also been lacking, which means that the findings and recommendations of PPOs are not necessarily reflected in the reports of the national PO. PPOs in Sofala and Nampula had not developed clear links for monitoring the provincial development strategies, which are supposed to draw inputs and development plans from lower administrative levels. As Francisco and Matter (2007: 33) noted in their review of the Nampula PPO: "Surprisingly the . . . Observatories in Nampula have given significant attention to the



national PARPA and so far totally ignored the very Strategic Development Plan for Nampula set for 2003–2007.”

The G20 has proposed linking the PPOs to the broader decentralization program in Mozambique, especially the efforts to increase and ensure broader public and social accountability of government actions and performance. The consultative councils at district and lower levels are a good foundation for more bottom-up planning and monitoring processes. The work of these councils should be integrated with the monitoring efforts at the provincial levels (PPOs). The relationship between the PPOs and the provincial assemblies, once created, will also need to be better clarified. Sequencing is needed to integrate these levels with the national level in a bottom-up fashion.

### ***The Plethora of Monitoring Mechanisms***

Alongside the PO is the annual donor-focused Joint Review of the Performance Assessment Framework, organized through the joint government–donor sector working groups. Operating to a large extent in isolation from the PO, this annual event has a major effect on government programs and budgets and on government performance. Civil society groups have been invited to these reviews since 2005, but only as observers. Joint working groups between the government and donors alone—without involving parliamentarians or other stakeholders on an equal basis—“[frustrate] nongovernmental stakeholders and [exclude] them from important dialogue forums” (Matter 2007: 3), with potentially severe implications for domestic accountability. The strong technical expertise of the donor community dominates these reviews. As a result, the Opinion Council of the PO—and specifically the G20—has thus far been largely sidelined from the assessments of government progress. This situation raises the question of whether the government’s focus on donor alignment through the Performance Assessment Framework and the joint review mechanism—and ultimately the role of donor aid in the political economy—undermines domestic systems of poverty monitoring.

The PO’s effect depends on the coverage and coherence of the government’s PARPA monitoring and evaluation system. The monitoring and evaluation system is weak on both accounts. PARPA is not the guiding, planning, and budgeting instrument for the country because no system links the budget and expenditures with PARPA objectives, actions, and results. Only with PARPA II did the national assembly approve such an instrument. Instead, annual plans and expenditures are

set out in the Economic and Social Plan (Plano Econômico e Social) and the corresponding state budget (Orçamento Geral do Estado), drawing on the Five-Year Plan, all approved by the national assembly. Because the PO's role is defined in terms of PARPA only, its role in monitoring these plans and budgets is unclear. Although PARPA is being integrated into state planning and budgeting, and from 2009 is supposed to coincide entirely with the country's Five-Year Plan, a concrete and specific timetable for aligning the systems (and benchmarks to measure the alignment) and for organizing the new financial and administrative system—the SISTAFE—around PARPA is lacking. Alignment at this point depends on the quality of strategic planning and administration at ministries and agencies. The open question is whether and how the PO will have a more central role in poverty monitoring and evaluation as a result of this integration.

This exclusion could undermine the future sustainability of the PO. Both recent reviews of the PO process pointed to the need to “regularize and formalize the PO with the objective to transform it into a more formal mechanism/process with a specific purpose, processes” and clearer definitions of roles and responsibilities of the different actors (Francisco and Matter 2007: 47). To provide value-added recommendations of strategic use, the PO process needs to be better integrated into the overall monitoring and evaluation framework. Specifically, additional mechanisms are required “to ensure that feedback coming from the PO members is channeled in the right direction and becomes actionable” (Rasappan, Mariappan, and Rodolfo 2006: 8).

### ***Participant Frustration***

Civil society stakeholders interviewed at both national and provincial levels complained of the lack of financial support for the PO process, undermining their ability and willingness to participate. Limited funds also undermined the PO's ability to collect and conduct analysis of monitoring data.<sup>5</sup> Some representatives of civil society organizations also complained that government information and data on impacts, which the POs need to provide an independent assessment, are not freely available. As noted by one civil society organization representative: “How can we give useful feedback when we don't even know what is going on?” (quoted in Rasappan, Mariappan, and Rodolfo 2006: 5).

Low capacity—both of the government and civil society—is also a strong impediment to meaningful participatory monitoring and presents

a major obstacle to effective civil society participation in the PO. For the government, working directly with citizens and civil society usually requires a different mindset and approach and often requires different methodological skills in processes of monitoring and evaluation data collection and analysis (such as participatory appraisal and qualitative techniques). For civil society, in addition to the financial and information constraints mentioned is a lack of qualified personnel and technical expertise to ensure effective participation in what are highly technical and information-driven processes (Matter 2007: 4).

### ***Recommended Actions***

The PO experiment has provided an important first step toward ensuring greater civic engagement in poverty monitoring and evaluation and thereby greater public participation in national discussions on poverty policy. The effectiveness of the POs should be increased.

Transparency, accountability, and responsiveness must remain key parts of the PARPA process. Institutionalization of the PO process would help guarantee adherence to the principles of accountability and transparency. Seeking a legal basis for the PO would contribute to this outcome. From a public accountability perspective, much more clarity is required on expected results—how recommendations from the POs serve the poverty planning and programming cycle of the government. No systematic feedback mechanism between the government and the PO currently exists. A clear weakness in the structure of the POs is the lack of broad representation beyond the small and mostly urban middle-class elite. At the provincial level, concerns about the role of the PO and its articulation with local strategies, plans, and budgets are even more pronounced. The work of local consultative councils should be integrated with the monitoring efforts of the provincial POs.

Opportunities should be built for hitherto excluded constituencies to participate, and the role of civil society should be strengthened. Weak civil society capacity dampens civic engagement with the PO. Upgrading the skills of civil society organizations is required to build a cadre of qualified personnel and technical expertise and thus ensure credibility in their partnerships with the government. The PO has considerable potential as a mechanism to bring together key stakeholders in the poverty planning, implementation, and monitoring process. However, the poor—especially poor women—currently have scant participation in the POs, and ways must be found to incorporate civil society organizations that represent their views.

# Notes

## Chapter 1

1. Both income and consumption can be used to measure monetary dimensions of welfare. Consumption-based approaches are preferred to income-based approaches for a variety of reasons. First, consumption data tend to be more reliable than income data because the latter suffer from incomplete measurement, underreporting (because respondents are believed to be less willing to reveal income), and seasonality of income. Second, consumption fluctuates less than income (and is thus less influenced by seasonality), thereby making it a better measure of welfare over time. Third, a majority of the labor force in Mozambique spends part or all of its time on self-employed activities, which makes income difficult to measure.
2. These three measures of poverty are all members of the Foster-Greer-Thorbecke poverty indexes. The *poverty head count index* shows the share of households below the poverty line, but it does not measure how far below. The *poverty gap* shows how far below the poverty line households are on average, expressed as a percentage of the poverty line. The *squared poverty gap* takes into account the income gap and inequality among the poor. A dollar of income gap for the extreme poor is given more weight than a dollar of income gap for those just under the poverty line. As a result, the index increases both with the income gap and with the existence of extreme poverty.

3. The National Statistics Institute changed the definition of an *urban area* to be more consistent and robust after the 1997 survey had been conducted, so the definition of an urban area is not consistent in the two surveys. In the official tabulations of the data, the inconsistent data are used. The analysis used here, however, corrects for this deficiency (see the Methodology section of the accompanying CD-ROM). After the adjustment was made for this inconsistency, poverty in most urban locations fell in step with that in rural areas, but was slightly less in large urban areas such as Maputo. In this report, a note has been added to tables and figures when the corrected data have been used for purposes of consistency.
4. The center includes Manica, Sofala, Tete, and Zambezia; the north, Cabo Delgado, Nampula, and Niassa; and the south, Gaza, Inhambane, Maputo province, and Maputo city.
5. The government believes that the change in Sofala is overstated, owing to an undermeasurement of consumption in 1997.
6. Government analysts attribute the increase in Cabo Delgado to poor sampling in both 1997 and 2003, but primarily in the earlier survey, which led to an underestimation of poverty in 1997. Regional trends in poverty changes, however, show the same picture even when poverty rates are calculated without the provinces with measurement problems.
7. This finding contrasts starkly with the perceptions of poverty and wealth that are discussed below, which show that in many parts of Mozambique—particularly rural areas—having many children is seen as a sign of wealth.
8. In the areas studied for the PVS, most households owned their houses. Those that did not—mainly poorer female-headed households and the elderly—often complained of the insecurity and precariousness of their living arrangements.
9. Decreasing shares of food in the consumption bundle usually suggest increasing wealth.
10. Because per capita income is included in the HDI, this index is a mixed indicator rather than a purely nonmonetary indicator of well-being.
11. Vulnerability can be analyzed in several ways. Qualitative interview techniques and participatory methods can capture people's perceptions of vulnerability, the reasons for it, and strategies to cope with it. Such data are the main source of information for this report's discussion of vulnerability. Panel data—which can provide greater information on economic mobility, the relative dimensions of chronic and transitory poverty, and the characteristics of those who move out of poverty and those who fall into it—are available in Mozambique only for rural areas and livelihoods.
12. Casual work, or *ganho-ganho*, is called *olimela* in Zambezia and Nampula, and *xicoropo* in Gaza.

13. In some areas, informal networks of farmers and fishermen helped members cope in difficult times. In Angoche, Nampula, small groups of five to seven fishermen combined tools and instruments to enable all to go fishing (UEM 2006: 64). In many areas, *nkhummy*, which helps farmers gather labor to work the land, especially during harvest, is common. In Gaza, informal savings groups (such as *xitique*) were common ways for community members to help smooth consumption and better respond to risks and stress.
14. Mozambique has two government agencies to support vulnerable households: INGC (Instituto Nacional de Gestão de Calamidades, <http://www.ingc.gov.mz/>), which is responsible for disaster relief, and SETSAN (Secretaria do Técnico de Segurança Alimentar e Nutrição, <http://www.setsan.org.mz/>), which is Mozambique's Technical Secretariat for Food Security and Nutrition, an intersectoral body that aims at supporting the implementation of the national Food Security and Nutrition Strategy.
15. Sometimes (as in the case of advanced acquired immune deficiency syndrome, or AIDS) categories overlap, and both physical incapacity and social stigma render individuals and households vulnerable. The stigma of human immunodeficiency virus (HIV) and AIDS means that those infected were rarely highlighted as more vulnerable, but those left behind by deaths—widows and orphans—were noted as potentially vulnerable.
16. The findings were statistically significant nationally at the 99 percent level.
17. For further discussion on the impacts of HIV/AIDS on poverty and on the feminization of AIDS in Mozambique, see chapter 6.
18. The national data on orphans and HIV/AIDS prevalence in this report are from UNICEF (2006: 202–4), unless otherwise stated. *Orphans* are children (under age 18) who have lost at least one parent.
19. Using IAF data from 1997 and 2003 on the education of nonbiological children, including orphans, Nhate (2005) showed that nonbiological children are especially discriminated against in decisions on household education and that access for nonbiological children deteriorated between the survey periods. Data from the Demographic and Health Survey between 1997 and 2003, however, show a declining difference in school attendance between orphans and nonorphans. Nhate (2005) also found that nonbiological children are discriminated against in access to intrahousehold resources.
20. The full results of the regressions for both years are in appendix table 2.8.
21. Possibly, part of this change is caused by the reclassification of urban and rural areas between the two surveys.
22. This reference to the “incapacity of poor people” echoes the G20 (2005: 13) critique of the definition of poverty set out in the first version of Mozambique's national poverty strategy, the Plano de Acção para a Redução da Pobreza Absoluta (PARPA). This document (GoM 2000: 10) defined poverty as “the

- incapacity of individuals to ensure for themselves and for their dependents a series of basic minimum conditions for their subsistence and well-being, according to the norms of society.”
23. Allegations of witchcraft serve two important social functions. First, people need to explain the unexplainable and painful. Death, accidents, and other troubling incidents are often blamed on witches, who are frequently identified as socially marginalized elderly men and women. Second, witchcraft accusations enforce social conformity, targeting those who are perceived to step outside social norms. Accused of using witchcraft, people who are well off or successful may be socially sanctioned (Tvedten, Paulo, and Rosário 2006: 87).
  24. See, for example, the male focus-group discussion in the village of Mbaau, Mandimba district, in Niassa (UEM 2006: 26).
  25. The data in table 1.5 should be considered with caution, however, because the survey was conducted between May and June 2006, normally a period of relative food security.
  26. Potential explanations for this apparent paradox are many. One is the nonrepresentative nature of the PVS sample. A second is that perceptions of change in overall poverty stated here reflect poverty’s many dimensions, not only changes in income poverty. A third is that subjective measurements of poverty not uncommonly differ substantially from such objective indicators as consumption. Subjective measurements are much more likely to fluctuate seasonally and to be influenced by nonpoverty factors, such as public opinions about a government policy. The discrepancy may shed light on the potential problems of using flexible consumption bundles to estimate poverty. The earlier analysis of monetary poverty used a flexible food bundle to estimate poverty to allow substitution among goods because of changing relative prices. Looking mainly at the costs of fulfilling a particular energy intake, this approach does not look at preferences caused by culture, social norms, or habits. Thus, even if people today do not face lower calorie intakes (in most areas intakes are higher), they may still perceive themselves as being poor. Indeed, the qualitative assessment suggests that the inability to purchase or enjoy particular types of food (because of rising costs of living and worsening internal terms of trade, for example) may itself be considered a type of poverty. Finally, the PVS took place in 2006, so possibly the poverty reduction that occurred up to 2003 may have slowed down.
  27. *Internal terms of trade* is defined here as the agricultural price index divided by the price index for other goods and services.

## Chapter 2

1. The confidence intervals for the national Gini index in each year are close. See appendix table 2.5.

2. Although the fall in domestic terms of trade reduced the purchasing power of incomes from agriculture, it increased the purchasing power of consumers of agricultural products. Because most Mozambican households are net food buyers, the effect of the trend in domestic terms of trade is ambiguous on average. Among other things, the effect would depend on price trends in cash crops. For the poor in rural areas, where roughly 50 percent of total consumption is home produced, and where many have income from other sectors through nonfarm businesses, the effect could be small. See chapter 3.
3. Falling productivity, often viewed negatively, is a mathematical certainty for a sector that experiences rapid growth in the labor force without similar growth in physical capital or technological change. In the nonagricultural sectors in a country with incomes as low as those in Mozambique, falling productivity is normal and positive from a poverty reduction standpoint.
4. In addition to creating little employment for Mozambican nationals, these projects contribute little to domestic absorption (domestic income), because much of their value added is exported. Consequently, tracking the expenditure side of the economy is also important—not only production but also domestic income has to rise; otherwise increases in supply of products produced primarily for the domestic market, such as food crops and small-scale services, will drive down prices. In Mozambique, despite low employment creation, these large enterprises are an important part of the poverty reduction story in the past and in the future, because they are partially responsible for Mozambique's increased exports and stable balance of payments. In addition, through the payment of taxes, these industries are beginning to support increased government consumption and therefore increased service delivery.
5. The classification of employment in the household survey gives an inadequate picture of economic activity. The treatment of women's economic activity is unclear, because women in rural areas often report being out of the labor force when they are actually spending a major part of their time doing household chores defined as economic activity (such as fetching wood) or in subsistence farming for the household. All women listed as domestics in the surveys are classified here as employed in agriculture, which is a mild overstatement of the agricultural labor force, but at least a consistent one.
6. Without panel data on the labor force, identifying where exactly the job creation and job destruction took place is impossible. The discussion here is limited to *net* job creation.
7. Of these respondents, less than 2 percent were not self-employed or in family business as their primary activity.
8. Data on incomes in the IAF can be tabulated only for 2003, so a national comparison over time is not possible. In a family business, cash income may be attributed to only one person, even if several household members participate in the business. See appendix table 2.25.



9. Not all households with employment income have someone whose primary employment is as a wage employee. This finding implies that for some households, wage employment is a secondary activity, perhaps seasonal or casual.
10. In this data source, wage income includes agricultural wage income, but in the IAF tabulations, employment in the private wage sector does not.
11. Earnings data tend to follow a log-normal distribution, meaning that there is a long tail at the high end of the distribution and the mean is above the median, sometimes by a large amount. As a result, some analysts use the median instead of the mean. This analysis sticks with the mean because of its intuitive value as a summary measure. This analysis also uses the Theil measure of inequality, which is designed to handle this type of distribution.
12. The dependent variable is the log of wages, so the coefficients can be interpreted as the percentage change in earnings that can be expected from a change in the independent variable.
13. PVS findings refer to a later period, which partly explains the difference.
14. Alternatively, the variance of the log of earnings can be compared; a measure of inequality is more intuitive. See appendix table 2.27.
15. This result may reflect the fact that where neither the head of household nor the spouse is in agriculture, most couples live in urban areas and have higher education levels.
16. Migration, for example, has become a much more important long-term, if not permanent, strategy for the households interviewed in Gaza following the collapse of the agricultural industry. Also, in urban Angoche in the province of Nampula, artisanal fishing has become a much more important livelihood strategy for households directly affected by the privatization and closing of the state-owned processing plants (cashew, shrimp) in the area.
17. World Bank staff calculation using IAF data from 1997 and 2003.
18. Home production includes in-kind income from subsistence agriculture.
19. The remaining 22 percent of urban income is reported as earned jointly by households in the form of home production, pensions and alimonies, income from capital, and occasional income.
20. For further background, see Arndt and Tarp (2000).

### Chapter 3

1. Data for this analysis come from the National Household Agricultural/Income Survey (Trabalho de Inquérito Agrícola; TIA) for 1996 and 2002. Details about these surveys and key concepts for the analysis are presented in the Methodology section of the accompanying CD-ROM.

2. Note that about two-thirds of people are below the income poverty line. This implies that those in the third and some in the fourth quintiles are also poor but still experienced growth. The result was overall income growth and a modest reduction in the poverty head count owing to those near the poverty line moving over the line (see top portion of table 3.3).
3. For details on the panel survey and the design of poverty lines for the poverty dynamics analysis, see the Methodology section of the accompanying CD-ROM.
4. Correlates of poverty status have been found to be distinct from the dynamic processes that cause households to fall into or escape poverty.
5. The disaggregated analysis of the poverty transitions illustrated here brings important insights. However, to better see the distribution and correlates in the analysis of poverty transitions with other variables, the focus here is on the simplest classification (poor and nonpoor) and the resulting transition status.
6. Here this study estimated separately two probit models for two subsets of the panel sample: (a) probit estimation for escaping poverty that uses households that were poor in 2002 (the dependent variable is 1 if the household escaped poverty in 2005, 0 otherwise) and (b) probit estimation for entering poverty that uses households that were nonpoor in 2002 (the dependent variable is 1 if the household fell into poverty in 2005, 0 otherwise). For detailed regression results, see appendix table 3.16.

## Chapter 4

1. Education for All Fast Track Initiative in World Bank (2005a). Mozambique has reached the Education for All goal of spending 20 percent of total budget revenue on education. By 2004, primary education spending as a proportion of GDP was about 2.5 percent.
2. These data are from the MEC administrative database. They may be a little bit higher than data from household surveys would have measured.
3. The analysis on distance to the water source was in addition to the analysis based on the enrollment regressions used in World Bank 2005d. The negative effect suggests that girls are the prime water collectors in that distance. When the water source is more than two hours away, it does not have any effect, suggesting that carrying water from sources more than two hours away may not be among young girls' duties because it is too far from the home.
4. One exception is among the highest-income households, where urban households spend a higher share of their cash income on education. This spending may have to do with a wider range of education services available for urban

- households, particularly in secondary and higher education, for which higher prices are charged and which richer households struggle to pay for in urban areas. Richer rural households do not have that choice.
5. Using the method from Demery (2003), government expenditure data from 2002 and 2003 for different subsections of education (primary, secondary, tertiary, and technical) are mapped to the users of the services (retrieved from the 2003 household survey). This mapping allows quantification of who benefits from government expenditures by characteristics of the users, typically by gender and consumption or by income quintiles.
  6. Actual dollar figures for 2002 and 2003 are in appendix table 4.14.
  7. Data from the Ministry of Health are acknowledged and greatly appreciated. Public Expenditure Tracking Survey; MPF and MISAU 2004; World Bank 2004.
  8. For health care service use, household surveys (IAF) provide information on curative care (seeking treatment in case of illness or injuries), while for health outcomes, much information comes from the Mozambique Demographic and Health Surveys of 1997 and 2003, which offer comparable data on a range of health and demographic issues and allow analysis by wealth quintile.
  9. Distance is measured in time to reach the facility by any means used to get there: walking, biking, or any other means of transport.
  10. Preventive care includes vaccinations for children and antenatal care. Curative care includes treatment sought when showing symptoms of an illness.
  11. Maternal mortality rates are also very high nationally, although the demographic and health survey (DHS) for 2003 registered a significant reduction in recent years. World Health Organization estimates were 1,062 deaths per 100,000 live births in 2000 (MISAU 2000), and the DHS for 2003 showed a decrease to 408 deaths per 100,000 births. Whether the fall in the rate is as large as these figures suggest is debatable, however, because they were obtained using different methodologies. The rates remain very high.
  12. The stunting rates here are for children under three years of age, which contrasts with the stunting rates in appendix table 4.23, which were for children under five years of age. The rates are not fully comparable. Barslund (2007), using a slightly different methodology to calculate changes between the 1997 and 2003 periods, confirms these general findings. See appendix table 4.28.
  13. Several data problems led to this conclusion. Personnel expenditure is not separated by type of health care. In some districts, information on rural hospitals is missing while in other districts it is combined with expenditure on primary health care facilities. Data do not include expenditure in the three central hospitals. (The question in the household survey groups all hospital types in one category, so separating people who visited central hospitals is impossible.)
  14. The question was asked as follows: "Did you visit any health care provider during the past two weeks? If yes, which type?" No information is available on

- the type of service received from the health provider, and no detailed information is collected on maternity or child care.
15. Much of the institutional development expenditure covered consulting services and training programs overseas and in Mozambique—required for implementing the Ministry of Agriculture’s new budgeting, monitoring, and evaluation systems; upgraded skills for technical staff; and technical assistance in agricultural research. See appendix table 4.33.
  16. In countries with limited market participation, weak institutions, poor roads, and a limited private sector, involvement in input delivery and marketing outsourcing may be premature (Finney and Kleemeier 2003).
  17. Despite improvements, these figures omit the seasonality of the water supply, which has important consequences for household access to water. Some rural communities noted that they generally had sufficient access to water during the rainy season (from December through March) but frequently encountered severe shortages during the dry season (from June or July through September). Women and children often suffer most from this shortage. Responsible for finding and carrying water, they have to wait in lines at public fountains and wells or must walk even farther to find water.

## Chapter 5

1. The findings here, summarized in World Bank (2007: 16–17), are drawn from the 2005 U.S. Agency for International Development corruption assessment (USAID 2005) and the 2005 World Bank Institute Anti-Corruption Survey (Austral Consultoria e Projectos 2005). According to the latter survey, Mozambique’s score has improved only slightly since 1998, and it remains weaker than its southern African neighbors.
2. *Decentralization* is used here to refer to the jurisdictional transfer of functions and responsibilities—administrative, fiscal, or political—to lower tiers of government. Conventionally, these transfers of responsibilities range on a continuum of autonomy from *deconcentration* (low degree of autonomy) through *delegation* (slightly more autonomy) to *devolution* (high degree of autonomy). *Deconcentration* refers to the transfer of authority from the center to the periphery in a context of territorial hierarchy. It is often seen as a way to strengthen and enhance the capacity of local governments to better implement the policies of the central state and to improve state delivery of services. *Devolution* occurs where the central government cedes power and authority to autonomous local governance structures and provides them with sufficient resources (or the ability to generate and keep them) for independent management. *Delegation* falls somewhere in between.

3. Law 8/2003, *Lei dos Órgãos Locais do Estado*, is often referred to as LOLE. Detailed orientations regarding the practical implementation of the law are set out in the associated regulations approved in April 2005 (Decree 11/2005). The approach set out in the law and associated regulations draws on a range of district decentralization pilots, jointly supported by donors and the government, and in particular on the district development-planning process piloted jointly by the government and the United Nations Capital Development Fund, among others, in districts across the province of Nampula.
4. Provincial assemblies, not directly addressed by the law, are explained in greater detail in the 2004 constitution. Working alongside the existing and appointed provincial governments, they are designed to play a role in preparing and approving provincial planning instruments. The first elections were held in late 2007.
5. *Social accountability* is defined as “an approach toward building accountability that relies on civic engagement, i.e., in which it is ordinary citizens and/or civil society organizations who participate directly or indirectly in exacting accountability” (Malena, Forster, and Singh 2004: 1).
6. The discussion in this section relies primarily on the results from the 2006 PVS and a recent study of the justice sector in Mozambique (AfriMAP 2006).
7. The official justice system includes courts, prosecutors’ offices, state-sponsored legal aid, the state police, and jails.
8. The study, commissioned as a World Bank Institute Anti-Corruption Assessment, surveyed nearly 4,000 individuals, including representatives from 2,475 households, 486 firms, and 992 public sector functionaries.
9. Delays are also a key constraint to access. According to AfriMAP (2006: 109), civil actions at the primary instance may take up to four years. Those who enforce the laws—judges, prosecutors, and police—also lack basic information on the laws they are meant to enforce. A study of sitting judges by Mozambique’s National Judicial Training Center found that improved education and better access to legislation, jurisprudence, and judicial doctrine were cited as the most important actions that could be taken to improve the judiciary (see Centro de Formação Jurídica e Judiciária 2005: 62).
10. For the purposes of the survey, these items were defined as the constitution, the 2005 Family Law, and the 1997 Land Law and its associated regulations.
11. See specifically the results from the communities studied in Gaza (UEM 2006: 134).
12. The 1997 Land Law was, in this regard, an exception.
13. Besides the official language (Portuguese), Emakhuwa is spoken as a primary language by 26 percent of the population, Xichangana by 11 percent, Elomwe by 8 percent, Cisena by 7 percent, Echuwabo by 6 percent, other Mozambican languages (32 percent), and unspecified (1 percent).

14. Some attempts have been made to provide legal information through community radio, but even radio can be beyond the reach of many poor families because of lack of power or inability to buy radios or batteries.
15. This figure understates the problem, because some of the more urbanized districts have more than one district court.
16. Eleven percent of households claim they always have to pay a bribe to receive assistance from the courts.
17. The majority of respondents in all cases—except for when asked about the ability of the weak and the poor to get their interests defended by the justice system—claimed no strong opinion either way.
18. As many as 64 percent of households considered the quality of traffic policing either very bad or bad.
19. This figure compares with 13.6 percent of households rating education services as bad or very bad (the lowest for any service).
20. The Gaza fieldwork highlighted the randomness of injustices targeted at youth. The country's highly formal and complex civil and criminal codes—dating back to the colonial period—largely remain in force. In urban areas, the lack of an identification card was a cause for corruption and led to the detention of youths unable or unwilling to pay. These youths then awaited formal charges in jail, through the “preventive prison” process, intermingled with hardened criminals. A 2003 Save the Children Norway study (cited in UNICEF 2006: 176) showed that the average age of detained children and youths was 16–17 years. The Mozambican criminal code (article 42) states that those under age 16 are not criminally liable. Of the jailed children and youths interviewed in the study, 18 percent were younger than 16, including children as young as 12. The study also showed that the principles of due process had not been followed in many cases. For example, 45 percent of the children reported having been detained illegally for longer than the official 48-hour limit, with an average detention of three months. Of the 38 percent of the children who had been sentenced—on average, to seven months in prison—many had been given no information on their trial.
21. The land law preceded the 2004 constitution in this approach, recognizing the role of traditional authorities and customary laws in regulating access to land.
22. This aspect of the law, particularly progressive, sets the 1997 Land Law apart from most other land laws, including the recently adopted Angolan land law, which also recognizes customary law but makes formalization mandatory.
23. In addition to Portuguese, translations exist in Changane, Sena, Ndau, Xitswe, Maconde, and Macua. Unofficial translations have also been made into many other languages.
24. Six basic messages from the law were taken to the local level: consultations (between local communities and private investors) are obligatory, communities

- can sign contracts (with investors and the state), women have equal rights, rights-of-way must be respected, rights should be registered, and what to do in the case of conflicts.
25. For a broader discussion of the conceptual and operational implications of “making rights real,” see Gaventa, Shankland, and Howard (2002). In the context of Mozambique, see Tanner and Baleira (2006).
  26. The National Agricultural/Rural Income Surveys (Trabalho de Inquérito Agrícola; TIA) data show that land titling is more common in the north and the center, possibly as a consequence of the greater presence of national nongovernmental organizations working on the land law in these areas. Although households belonging to higher wealth groups have greater awareness of the land law, the TIA suggests no clear relationship between income and land titling.
  27. Chris Tanner, personal communication, November 9, 2006.
  28. The role of the state may sometimes complicate matters further. According to the land law, land administration officials should be facilitators of the land claim and titling process. In practice, however, this neutral state role is complicated by the history of antagonistic relationships between the state and some communities, particularly in rural areas. Such relationships may be further undermined by perceptions of collusion between the state and private investors.
  29. Chris Tanner, personal communication, November 9, 2006.
  30. The proposed domestic violence law provides further protection to women. Section 5, subsection (i), of the draft law prohibits “property violence”—all violence causing the deterioration of objects, animals, or material goods of women or their family nucleus. Moreover, section 8, subsection (3)(f), states that the government may take measures to “guarantee the safe return of the woman who had been forced to abandon her residence for safety reasons, with the immediate application of [a restraining] order.”
  31. Sergio Baleira, personal communication, November 9, 2006.
  32. Access to land in many rural parts of Mozambique is often gained through family and kinship relationships, as well as marriage. The tenure security of single, divorced, or abandoned women, youths, and orphaned children may therefore be especially fragile.
  33. Constraints of awareness and capacity extend to the institutions and organizations that are supposed to enable women to claim and realize their rights, including the judicial system, the land administration system, nongovernmental organizations, and even donors.

## Chapter 6

1. The prevalence figure for prime-age adults refers to people 15 to 49 years of age. Mozambique is ranked after Swaziland (33.4 percent), Botswana

- (24.1 percent), Lesotho (23.2 percent), Zimbabwe (20.1 percent), Namibia (19.6 percent), South Africa (18.8 percent), and Zambia (17.0 percent).
2. Assuming that returning refugees were a factor in introducing the disease into the population comes easily because Mozambique borders five countries with some of the highest prevalence rates in the world. Yet the theory may call for critical investigation: the high levels of incidence that continue more than 10 years after the return of the refugees suggest that behavioral characteristics are more important determinants.
  3. Northern provinces include Niassa, Cabo Delgado, and Nampula; central provinces include Zambezia, Tete, Manica, and Sofala; southern provinces include Inhambane, Gaza, Maputo province, and Maputo city.
  4. The DHSs used in de Walque (2006) were from Burkina Faso (2003), Cameroon (2004), Ghana (2003), Kenya (2003), and Tanzania (2003–04).
  5. MISAU reports that 43 million male condoms were distributed in 2006, equaling 8.9 per man, compared with 17 per man in high-performing countries. Studies by Population Services International indicate a demand constraint to condom use (World Bank Aide-Memoire, Mozambique HIV/Aids Response Mission, March 12–23, 2007).
  6. In the whole of Africa, the share of under-five mortality caused by AIDS increased from 2 percent in 1990 to 6.5 percent 10 years later.
  7. This chapter uses the medium variant of the United Nations Population Division. These projections are lower than the projections of Mozambique's National Institute of Statistics, but following Klasen and Woltermann (2004), the UN projections are probably more realistic because their fertility and AIDS assumptions lie closer to the current trends in Mozambique.
  8. Using a different estimate from the Ministry of Health, UNICEF ranked Mozambique's orphaned population in 2003 as the 11th most severe in the world in absolute terms. In 2003, UNICEF estimated the number of AIDS orphans in Mozambique at 470,000. Using the same method, and not accounting for relative size of populations, UNICEF found larger numbers of AIDS orphans only in Nigeria (1,800,000), South Africa (1,100,000), Tanzania (980,000), Zimbabwe (980,000), Uganda (940,000), Democratic Republic of Congo (770,000), Ethiopia (720,000), Kenya (650,000), Zambia (630,000), and Malawi (500,000).
  9. No comprehensive time-use study exists for Mozambique.
  10. When a male household head died, poorer households experienced a 13 percent decline in gross value of output whereas nonpoor households maintained their gross output value. The death of a prime-age male resulted in an 11 percent decline in total land cultivated, while the death of a prime-age female resulted in a 3 percent decline and the death of male heads of household or spouses resulted in a 20 percent decline.



11. In Zambia, the death of a nonspouse female actually results in a 5 percent decline of the root and tuber area. The authors conclude that the poorer households headed by HIV/AIDS widows are in especially precarious positions.
12. These percentages are calculated for the author's base AIDS scenario.
13. Three different scenarios are used: base AIDS scenario; less-effect scenario, which softens the effects assumed in the base AIDS scenario; and the education scenario, with increased education funding.
14. The first-line regimen in Mozambique is made up of lamivudine, stavudine, and nevirapine.
15. Treatment was scaled up from 100,000 in 2003 to 810,000 by the end of 2005.
16. World Bank Aide-Memoire, Mozambique HIV/AIDS Response Mission, March 12–23, 2007.
17. In Kenya, 273,000 people between 0 and 49 years of age are estimated to need treatment. Some 24 percent are covered in 250 reported treatment sites (UNAIDS and WHO 2006c). The authors use longitudinal household data that were collected in collaboration with a treatment program.

## Chapter 7

1. The PARPA documents and the World Bank and International Monetary Fund comments (Joint Staff Assessment Note) are available in English on the World Bank's PovertyNet Web site, <http://www.worldbank.org/poverty>.
2. The United Nations Development Programme (UNDP) was instrumental in creating the PO, based on its experience setting up POs in other countries. The UNDP provided seed funding of about US\$1.5 million to help set up the Mozambican PO and train the technical secretariat and has continued to support capacity-building activities.
3. This section draws on two recent studies reviewing the progress of the PO mechanism in Mozambique: an evaluation (Rasappan, Mariappan, and Rodolfo 2006) commissioned by the UNDP, and a review of the PO as a social accountability mechanism (Francisco and Matter 2007), commissioned jointly by the Swiss Development Cooperation and the World Bank.
4. The PO in Nampula is called a "development observatory" rather than a poverty observatory.
5. The U.K. Department for International Development and Irish Aid are preparing a multiyear civil society support mechanism for monitoring and advocacy on governance, which should be available for strengthening civil society participation in these poverty monitoring initiatives.

## References

- Ackerman, J. M. 2005. "Social Accountability in the Public Sector." Social Development Paper 82, World Bank, Washington, DC.
- AfriMAP. 2006. *Mozambique: Justice Sector and the Rule of Law*. London: Open Society Foundation.
- Alderman, H. 2001. "The Implications of Private Safety Nets for Public Policy: Case Studies of Mozambique and Zimbabwe." Africa Region Human Development Working Paper 4, World Bank, Washington, DC.
- Alderman, H., H. Hoogeveen, and M. Rossi. 2005. "Reducing Child Malnutrition in Tanzania: Combined Effects of Income Growth and Program Intervention." Background paper for *Catching the Window to Address Malnutrition in Tanzania*, World Bank, Washington, DC.
- Anglewicz, P., S. Bignami-van Assche, P. Fleming, A. van Assche, and C. van de Ruit. 2005. "The Impact of HIV/AIDS on Intra-household Time Allocation in Rural Malawi." Paper presented at the International Union for the Scientific Study of Population Seminar on Interactions between Poverty and HIV/AIDS, December 12–14, Cape Town, South Africa.
- Appadurai, A. 2004. "The Capacity to Aspire: Culture and the Terms of Recognition." In *Culture and Public Action*, ed. V. Rao and M. Walton, 59–84. Stanford, CA: Stanford University Press.
- Arndt, C. 2003. "HIV/AIDS, Human Capital, and Economic Growth Prospects for Mozambique." Africa Region Working Paper 48, World Bank, Washington, DC.

- Arndt, C., M. Barslund, and J. Sulemane. 2006. "Seasonality in Calorie Consumption: Evidence from Mozambique." Ministry of Planning and Development Discussion Paper 13E, Maputo.
- Arndt, C., S. Robinson, and F. Tarp. 2005. "Trade Reform and Gender in Mozambique." *Nordic Journal of Political Economy* 32 (1): 73–90.
- Arndt, C., and F. Tarp. 2000. "Agricultural Technology, Risk, and Gender: A CGE Analysis of Mozambique." *World Development* 28 (7): 1307–26.
- Austral Consultoria e Projectos. 2005. *Pesquisa Nacional sobre Governação e Corrupção*. Maputo: World Bank and Austral Consultoria e Projectos.
- Barnes, J. 2005. "Local Government and Development Planning: Towards Decentralised Planning and Budgeting in Mozambique." Paper presented at the United Nations Capital Development Fund Comparative Workshop, "Performance Budgeting: The Challenges of Implementation," Dar es Salaam, September 13–15.
- Barreto, A., A. Noya Chaveco, R. Muanamoha, F. M. Machaúle, I. Nhatave, H. Tojais, G. Fazenda, A. Martinho, and A. Francisco. 2002. *Impacto Demográfico do HIV/SIDA em Moçambique (Actualização, ano 2000)*. Maputo: Instituto Nacional de Estatística, Ministério da Saúde, Ministério do Plano e Finanças, Centro de Estudos de População–UEM, Conselho Nacional de Combate ao HIV/SIDA, Faculdade de Medicina–UEM, Ministério da Educação.
- Barslund, M. 2007. "Children's Nutritional Status and Dietary Diversity: Evidence from Demographic and Health Data for Mozambique." Study commissioned by the World Bank, financed by the Belgian Poverty Reduction Program, World Bank, Washington, DC.
- Benfica, R. 2006. "An Analysis of Income Poverty Effects in Cash Cropping Economies in Rural Mozambique: Blending Econometric and Economy-Wide Models." PhD diss., Department of Agricultural Economics, Michigan State University, East Lansing. [http://www.aec.msu.edu/fs2/mozambique/dissertation\\_benfica.pdf](http://www.aec.msu.edu/fs2/mozambique/dissertation_benfica.pdf).
- Benfica, R., D. Tschirley, and D. Boughton. 2006. "Interlinked Transactions in Cash Cropping Economies: The Determinants of Farmer Participation and Performance in the Zambezi River Valley of Mozambique." Paper presented at the 26th International Association of Agricultural Economists Conference, Gold Coast, Australia, August 12–18. <http://www.aec.msu.edu/fs2/mozambique/cashcropping-benfica.pdf>.
- Benito-Spinetto, M., and P. Moll. 2005. "Mozambique: Macroeconomic Developments, Economic Growth, and Consequences for Poverty." Background paper for the 2005 Country Economic Memorandum, World Bank, Washington, DC.
- Boughton, D., D. Mather, C. B. Barrett, R. Benfica, D. Abdula, D. Tschirley, and B. Cunguara. Forthcoming. "Market Participation by Rural Households in a Low-Income Country: An Asset-Based Approach Applied to Mozambique."

- Boughton, D., D. Mather, D. Tschirley, T. Walker, B. Cunguara, and E. Payongayong. 2006. *Changes in Rural Household Income Patterns in Mozambique, 1996–2002, and Implications for Agriculture’s Contribution for Poverty Reduction*. MINAG/DE/DAP Research Report 61E in collaboration with Department of Agricultural Economics, Michigan State University, East Lansing. <http://www.aec.msu.edu/fs2/mozambique/wps61e.pdf>.
- Braathen, E. 2003. “Democratic Decentralization in Mozambique?” In *Community and the State in Lusophone Africa*, ed. M. Newitt, with P. Chabal and N. Macqueen, 99–126. London: King’s College.
- Case, A., and C. Ardington. 2004. “The Impact of Parental Death on School Enrollment and Achievement: Longitudinal Evidence from South Africa.” Paper presented at the International Union for the Scientific Study of Population Seminar on Interactions between Poverty and HIV/AIDS, Cape Town, South Africa, December 12–14.
- Centro de Formação Jurídica e Judiciária. 2005. “Relatório do Estudo sobre a Biografia da Profissão Judicial.” Mimeo. Matola, Mozambique.
- Chambers, R., and G. Conway. 1991. *Sustainable Rural Livelihoods: Practical Concepts for the 21st Century*. IDS Discussion Paper 296. Brighton, U.K.: Institute of Development Studies.
- Chapoto, A., and T. S. Jayne. 2005. “Impact of HIV/AIDS-Related Mortality on Rural Farm Households in Zambia: Implications for Poverty Reduction Strategies.” Paper presented at the International Union for the Scientific Study of Population Seminar on Interactions between Poverty and HIV/AIDS, Cape Town, South Africa, December 12–14.
- Chemonics. 2006. *Mozambique General Services Contract: Land Tenure Services—Final Report*. Report prepared for the Land Component of the Millennium Challenge Corporation Compact. Washington, DC: Chemonics.
- Chilundo, A., B. Cau, M. Mubai, D. Malauene, and V. Muchanga. 2005. “Land Registration in Nampula and Zambezia Provinces, Mozambique.” *Securing Land Rights in Africa Initiative Report 6*, International Institute for Environment and Development, London.
- Collier, E. 2006. *Towards Gender Equality in Mozambique: A Profile on Gender Relations—Update 2006*. Maputo: Swedish International Development Cooperation Agency and the Swedish Embassy.
- Coughlin, P. 2006. *Agricultural Intensification in Mozambique: Infrastructure, Policy, and Institutional Framework—When Do Problems Signal Opportunities?* Maputo: EconPolicy Research Group.
- CTC Consulting. 2003. *Appraisal of the Potential for a Community Land Registration, Negotiation, and Planning Support Programme in Mozambique*. Report for the U.K. Department for International Development. Cambridge, U.K.: CTC Consulting.

- Deaton, A. 1997. *The Analysis of Household Surveys: A Microeconomic Approach to Development Policy*. Baltimore, MD: Johns Hopkins University Press for the World Bank.
- Deininger, K., and L. Squire. 1996. "A New Data Set Measuring Income Inequality." *World Bank Economic Review* 10 (3): 565–91
- Demery, L. 2003. "Analyzing the Incidence of Public Spending." In *The Impact of Economic Policies on Poverty and Income Distribution: Evaluation Techniques and Tools*, ed. F. Bourguignon and L. A. Pereira da Silva, 41–68. New York: Oxford University Press.
- de Walque, D. 2006. "Who Gets AIDS and How? The Determinants of HIV Infection and Sexual Behaviors in Burkina Faso, Cameroon, Ghana, Kenya, and Tanzania." Development Research Group Working Paper 3844, World Bank, Washington, DC.
- Donovan, C., and D. Mather. 2007. "The Impact of Prime-Age Adult Mortality on Rural Household Income, Assets, and Poverty in Mozambique." Background paper for the Mozambique Poverty, Gender, and Social Impact Assessment, World Bank, Washington, DC.
- Eberlei, W. 2006. "Unfolding Communicative Power in Poverty Reduction: Stakeholder Participation in PRS Processes." Social Development Department, World Bank, Washington, DC.
- ECON Analysis. 2005. *Report 2005-015: Impacts of Extension Services in Rural Mozambique*. Commissioned by the World Bank for the 2005 Rural Development Strategy. Oslo: ECON Analysis.
- Evans, D., and E. Miguel. 2005. "Orphans and Schooling in Africa: A Longitudinal Analysis." Paper presented at the International Union for the Scientific Study of Population Seminar on Interactions between Poverty and HIV/AIDS, Cape Town, South Africa, December 12–14.
- Finney, C. E., and E. Kleemeier. 2003. "Background Paper on the Water Sector." Background paper for the Mozambique Public Expenditure Review, Government of Mozambique and World Bank, Washington, DC.
- Fox, L., E. Bardasi, and K. van den Broeck. 2005. "Poverty in Mozambique: Unraveling Changes and Determinants." Africa Region Working Paper 87, World Bank, Washington, DC.
- Fox, L., DNEAP (Direcção Nacional de Estudos e Análise de Políticas), and World Bank. 2006. "Job Creation in Mozambique: Is Labor Law Reform the Answer?" Discussion Paper 35E, Direcção Nacional de Estudos e Análise de Políticas, Ministry of Planning and Development, Mozambique, and Poverty and Economic Management Department Africa Region, Washington, DC, World Bank.
- Fox, L., and M. S. Gaal. 2007. *Working out of Poverty: Job Creation and the Quality of Growth in Africa*. Washington, DC: World Bank.

- Francisco, A. A. S., and K. Matter. 2007. *Poverty Observatory in Mozambique: Final Report*. Report commissioned by the Swiss Agency for Development and Cooperation and the Social Development Department of the World Bank. Richterswil, Switzerland: Gerster Consulting.
- G20. 2004. *Annual Poverty Report 2004: Fighting the Causes of Poverty*. Maputo: Colégio Pelo. 20.
- . 2005. *Annual Poverty Report 2005*. Maputo: Colégio Pelo. 20.
- Gaventa, J., A. Shankland, and J. Howard, eds. 2002. "Making Rights Real: Exploring Citizenship, Participation, and Accountability." *IDS Bulletin* 33 (2).
- GoM (Government of Mozambique). 2000. *Plano de Acção para a Redução Pobreza Absoluta, 2001–2005 PARPA I*. Maputo: GoM. <http://www.povlibrary.worldbank.org/>.
- . 2005. *Plano de Acção para a Redução Pobreza Absoluta, 2006–2009 PARPA II*. Maputo: GoM. <http://www.povlibrary.worldbank.org/>.
- . 2006. "UNGASS Declaration of Commitment on HIV/AIDS: Progress Report Reporting Period 2003–05." Draft. GoM, Maputo.
- . 2007. "Extension Master Plan 2007–2016: Final Draft." Ministry of Agriculture, National Directorate of Extension, Maputo, Mozambique.
- GoM (Government of Mozambique) and PAP (Parceiros para o Apoio Programático). 2007. *Revisão Conjunta—Anexo IV Relatorios dos Grupos de Trabalho*. Maputo: GoM and PAP.
- Greer, J., and E. Thorbecke. 1986. "A Methodology for Measuring Food Poverty Applied to Kenya." *Journal of Development Economics* 24 (1): 59–74.
- Gwatkin, D. R., S. Rutstein, K. Johnson, E. Suliman, A. Wagstaff, and A. Amouzou. 2007. *Socio-economic Differences in Health, Nutrition, and Population within Developing Countries*. Washington, DC: World Bank.
- Haddad L., H. Alderman, S. Appleton, L. Song, and Y. Yohanes. 2003. "Reducing Child Malnutrition: How Far Does Income Growth Take Us?" *World Bank Economic Review* 17 (1): 107–31.
- Handa, S., and K. R. Simler. 2005. "Quality or Quantity? The Supply Side Determinants of Primary Schooling in a Poor Rural Economy." *Journal of African Economies* 15 (1): 59–90.
- Handa, S., K. R. Simler, and S. Harrower. 2004. *Human Capital, Household Welfare, and Children's Schooling in Mozambique*. Research Report 134. Washington, DC: International Food Policy Research Institute.
- Hardle, W. 1990. *Applied Nonparametric Regression*. Cambridge, U.K.: Cambridge University Press.
- Hawkins, K., F. Mussa, and S. Abuxahama. 2005. "Milking the Cow: Young Women's Constructions of Identity, Gender, Power, and Risk in Transactional

- and Cross-Generational Sexual Relationships." PEER research study, Options Consultancy Services and Population Services International, Maputo.
- Hodges, A., and R. Tibana. 2005. *A Economia Política do Orçamento em Moçambique*. Lisbon: Principia.
- Howard, J., J. Jeje, D. Tschirley, P. Strasberg, E. Crawford, and M. Weber. 1998. *What Makes Agricultural Intensification Profitable for Mozambican Smallholders? An Appraisal of the Inputs Subsector and the 1996/97 DNER/SG 2000 Program. Volume I: Summary*. Research Report 32. Maputo: Directorate of Economics, Ministry of Agriculture and Fisheries.
- Ibraimo, M. 2005. *Evolução das Disparidades no Bem-Estar dos Agregados Familiares e o Acesso aos bens e Serviços 1997 e 2003*. Discussion Paper 14P. Maputo: Direcção Nacional de Estudos e Análise de Políticas, Ministério de Planificação e Desenvolvimento.
- . 2006. "Participation and Decentralization." Background paper for the Mozambique Poverty, Gender, and Social Assessment, World Bank, Washington, DC.
- IFAD (International Fund for Agricultural Development). 2005. "Agriculture Development in Republic of Mozambique." Agriculture Support Programme Formulation Report, Working Paper 2, International Fund for Agricultural Development, Rome.
- Ilal, A., and M. Chisvo. 2005. *Avaliação Final da Unidade de Desenvolvimento Comunitário*. Maputo: Organização Holandesa de Desenvolvimento, Programa MAMM.
- IMF (International Monetary Fund). 2004. *Review of the Economic and Social Plan for 2003*. IMF Country Report 04/135. Washington, DC: IMF.
- . 2005. *Republic of Mozambique: Poverty Reduction Strategy Paper Annual Progress Report*. IMF Country Report 05/310. Washington, DC: IMF.
- . 2006. *Republic of Mozambique: Third Review under the Three-Year Arrangement under the Poverty Reduction and Growth Facility and Request for Modification of Performance Criteria*. IMF Country Report 06/46. Washington, DC: IMF.
- INE (Instituto Nacional de Estatística). 2000. *Impacto Demográfico do HIV/SIDA em Moçambique Actualização*. Maputo: INE.
- INE (Instituto Nacional de Estatística), MISAU (Ministério da Saúde), MPF (Ministério do Plano e Finanças), CEP (Centro de Estudos de População da Universidade Eduardo Mondlane), CNCS (Conselho Nacional de Combate ao HIV/SIDA), and Faculdade de Medicina da Universidade Eduardo Mondlane. 2004. *Impacto Demográfico do HIV/SIDA em Moçambique: Actualização Ronda de Vigilância Epidemiológica 2002*. Maputo: INE.
- INE (Instituto Nacional de Estatística), MISAU (Ministério da Saúde), MPF (Ministério do Plano e Finanças), CEP (Centro de Estudos de População da Universidade Eduardo Mondlane), CNCS (Conselho Nacional de Combate

- ao HIV/SIDA), Faculdade de Medicina da Universidade Eduardo Mondlane, and MEC (Ministério da Educação e Cultura). 2002. *Impacto Demográfico do HIV/SIDA em Moçambique (Actualização, ano 2000)*. Maputo: INE.
- INEF (Institute for Development and Peace). 2006. "Civil Society and Stakeholder Involvement in PRS Monitoring." Social Development Department, World Bank, Washington, DC.
- Jones, S. 2007. "Sustaining Growth in the Long-Term." International Monetary Fund, Washington, DC.
- Kanbur, R., ed. 2001. *Q-Squared: Combining Qualitative and Quantitative Methods in Poverty Appraisal*. Delhi: Permanent Black.
- Kaufmann, D., A. Kraay, and M. Mastruzzi. 2006. *Governance Matters V: Governance Indicators for 1996–2005*. Washington, DC: World Bank. <http://www.worldbank.org/wbi/governance/govmatters5>.
- Kennedy, E., and P. Peters. 1992. "Household Food Security and Child Nutrition: The Interaction of Income and Gender of Household Head." *World Development* 20 (8): 1077–85.
- Khan, S., L. Hidalgo, C. Ismael, S. Meershoek, H. Ibraimo, A. Tiago, A. Miguel, and N. Junusso. 2004. "Mozambique: Investir na Nutrição é Reduzir a Pobreza." Ministério da Saúde, Repartição de Nutrição, Maputo.
- Khandker, S. R. 1998. "Fighting Poverty with Microcredit: Experience in Bangladesh." World Bank, Washington, DC.
- Klasen, S. 2002. "Low Schooling for Girls, Slower Growth for All?" *World Bank Economic Review* 6 (3): 345–73.
- Klasen, S., and S. Woltermann. 2004. "The Impact of Demographic Dynamics on Economic Development, Poverty and Inequality in Mozambique." Background paper for the Mozambique Country Economic Memorandum, World Bank, Washington, DC.
- Knight, R. 2002. *Camponeses' Realities: Their Experiences and Perceptions of the 1997 Land Law*. Oxford, U.K.: Oxfam.
- Kyed, H. M., and L. Burr. 2006. "New Sites of Citizenship: Recognition of Traditional Authority and Group-Based Citizenship in Mozambique." *Journal of Southern African Studies* (32) 3: 563–81.
- Lindelow, M. 2003. "The Utilization of Curative Healthcare in Mozambique: Does Income Matter?" Centre for Studies of African Economies Working Paper, World Bank, Washington, DC.
- Macamo, J. L. 2006. "Mozambique Governance Indicators: Trends and Comparisons, 1996–2005." World Bank, Maputo.
- Malena, C., R. Forster, and J. Singh. 2004. "Social Accountability: An Introduction to the Concept and Emerging Practice." Social Development Paper 76, World Bank, Washington, DC.



- Mather, D., H. Marrule, C. Donovan, M. Weber, and A. Alage. 2004. "Analysis of Adult Mortality within Rural Households in Mozambique and Implications for Policy." Ministry of Agriculture and Rural Development, Directorate of Economics Research Paper 58E, Maputo.
- Matter, K. 2007. "Literary Review on International Experiences of Participatory PRS Monitoring." Background report for A. A. S. Francisco and K. Matter, *Poverty Observatory in Mozambique*, commissioned by the Swiss Agency for Development and Cooperation and the Social Development Department of the World Bank. Richterswil, Switzerland: Gerster Consulting.
- Meneses, M. P., J. Fumo, G. Mbilana, and C. Gomes. 2003. "As Autoridades Tradicionais no Contexto do Pluralismo Jurídico." In *Conflito e Transformação Social: Uma Paisagem de Justiça*, ed. B. Sousa de Santos and J. C. Trindade, 337–420. Porto, Portugal: Afrontamento.
- Menon, R., M. J. Wawer, J. K. Konde-Lule, N. K. Sewanlambo, and C. Li. 1998. "The Economic Impact of Adult Mortality on Households in Rakai District, Uganda." In *Confronting AIDS: Evidence from Developing Countries*, ed. M. Ainsworth, L. Fransen, and M. Over, 325–41. Washington, DC: World Bank, European Commission, and U.S. Agency for International Development.
- MISAU (Ministério da Saúde). 2000. *Revisão das Mortes Maternas em Moçambique 1998/99*. Maputo: MISAU.
- . 2003. *Atenção Integrada as Doenças da Infância 1998–2002*. Maputo: MISAU.
- . 2004. *Relatório Anual de 2003*. Maputo: Direcção de Recursos Humanos.
- . 2005. "Controlo de Malária em Moçambique." MISAU, Maputo.
- MISAU (Ministério da Saúde) and GoM (Government of Mozambique). 2007. "Report on the Update of the HIV Epidemiological Surveillance Data: 2006 Round." MISAU and GoM, Maputo.
- MISAU (Ministério da Saúde) and National Directorate of Health. 2005. *Report on the Update of the HIV Epidemiological Surveillance Data—2004 Round*. Maputo: MISAU.
- Moser, C., and A. Norton, with T. Conway, C. Ferguson, and P. Vizard. 2001. *To Claim Our Rights: Livelihood Security, Human Rights, and Sustainable Development*. London: Overseas Development Institute.
- MPF (Ministério do Plano e Finanças). 1999. "Conta Geral do Estado." MPF, Maputo.
- . 2000. "Conta Geral do Estado." MPF, Maputo.
- . 2001. "Relatório de Execução Fiscal." MPF, Maputo.
- . 2002. "Relatório de Execução Fiscal." MPF, Maputo.
- . 2003. "Relatório de Execução Fiscal." MPF, Maputo.

- . 2004a. *Poverty and Well-Being in Mozambique: The Second National Assessment*. Maputo: MPF.
- . 2004b. “Relatório de Execução Fiscal.” MPF, Maputo.
- . 2005. “Conta Geral do Estado.” MPF, Maputo.
- . 2006. “Orçamento Geral do Estado.” MPF, Maputo.
- MPF (Ministério do Plano e Finanças), IFPRI (International Food Policy Research Institute), and Purdue University. 2004. *Poverty and Well-Being in Mozambique: The Second National Assessment 2003*. Maputo: MPF.
- MPF (Ministério do Plano e Finanças) and INE (Instituto Nacional de Estatística). 1997. *Inquérito Nacional aos Agregados Familiares Sobre as Condições de Vida*. Maputo: MPF.
- . 2003. *Inquérito Nacional aos Agregados Familiares Sobre Orçamento Familiar*. Maputo: MPF.
- MPF (Ministério do Plano e Finanças) and MEC (Ministério da Educação e Cultura). 2003. “A Despesa Pública com a Educação em Moçambique.” MPF and MEC, Maputo.
- MPF (Ministério do Plano e Finanças) and MISAU (Ministério da Saúde). 2004. “A Despesa Pública com a Saúde em Moçambique.” MPF and MISAU, Maputo.
- MPF (Ministério do Plano e Finanças), UEM (Universidade Eduardo Mondlane), and IFPRI (International Food Policy Research Institute). 1998. *Understanding Poverty and Well-Being in Mozambique: The First National Assessment (1996/97)*. Washington, DC: IFPRI.
- Muzima, J., and C. Arndt. 2004. “Tendências sobre a Eficiência no Subsistema de Educação Primária em Moçambique: Estimação de Matrizes de Transição (1992–2000).” Ministério do Plano e Finanças, Maputo.
- Naaera-Nicholajsen, T. 1998. “Agricultural Household Behavior and Labor Market Components: Macroeconomic Reforms and Regional Integration in Southern Africa Project.” Development Economics Research Group, University of Copenhagen.
- Nhate, V. 2005. “Orphans in Mozambique: Vulnerability, Trends, Determinants, and Programme Responses.” National Directorate of Planning and Budget, Ministry of Planning and Development, Maputo.
- Nhate, V., and K. Simler. 2006. “Small Group Poverty Estimates: The Case of Disabled People in Mozambique.” National Directorate of Studies and Policy Analysis Discussion Paper 25E, Ministério de Planificação e Desenvolvimento, Maputo.
- Norfolk, S., 2004. “Examining Access to Natural Resources and Linkages to Sustainable Livelihoods: A Case Study of Mozambique.” Livelihood Support Programme Working Paper 17, United Nations Food and Agriculture Organization, Rome.

- Norfolk, S., and C. Tanner. 2006. "Mozambique Country Case Study on Improving Tenure Security for the Poor." Paper presented at the Conference on Poverty and Land Tenure Security, Nairobi, November.
- PricewaterhouseCoopers. 2006. *Final Evaluation of the First Phase of the National Agriculture Development Programme—PROAGRI (1999–2005), Volume I: Main Report*. Maputo: Ministry of Agriculture.
- Rasappan, A., M. Mariappan, and B. J. Rodolfo. 2006. *Poverty Observatories: Lessons Learned*. UNDP Moz/03/002 Project Evaluation. Maputo: United Nations Development Programme and Government of Mozambique.
- Ravallion, M. 1994. *Poverty Comparisons*. Chur, Switzerland: Harwood Academic Publishers.
- . 1998. "Poverty Lines in Theory and Practice" Living Standards Measurement Study Working Paper 133, World Bank, Washington, DC.
- Ravallion, M., and B. Bidani. 1994. "How Robust Is a Poverty Profile?" *World Bank Economic Review* 8 (1): 75–102.
- Ruffer, T., and J. Knight. 2007. "Informal Sector Labour Markets in Developing Countries." Oxford Policy Management, Oxford, U.K.
- SADC (Southern African Development Community). 2006. *National Report of Mozambique: Report on National Meeting of the SADC Initiative on Land and Agrarian Reform*. Maputo: SADC.
- Serrano, R. 2002. *Participation, Transparency, and Downward Accountability in District Planning in Mozambique—Final Report, August 2002*. Report prepared as an input for the design of the Decentralized Planning and Finance Project, Water and Urban Group 1, Eastern and Southern Africa, World Bank, Washington, DC.
- Seuane, S., and M. Rivers-Moore. 2005. *Aspecto do Género e o Impacto do HIV/SIDA sobre os Direitos das Mulheres e das Crianças no Acesso a terra e Recursos Naturais*. Maputo: Centro de Formação Jurídica e Judiciária.
- Shah, M. K. 2003. *Using Community Scorecards for Improving Transparency and Accountability in the Delivery of Public Health Services: Experience from Local Initiatives for Health (LIFH) Project*. Lilongwe, Malawi: Care International.
- Simler, K., and H. Ibrahim. 2005. "Estimating Changes in Children's Nutritional Status When Samples Are Not Comparable: An Example from Mozambique." Paper prepared for the 10th Annual Conference on Econometric Modelling in Africa, Nairobi, July 6–8.
- Sitoe, E., and C. Hunguana. 2005. "Democratic Decentralization Is Needed to Keep the Mozambican Miracle Still Alive." CEDE Policy Brief, Centro de Estudos de Democracia e Desenvolvimento, Universidade Eduardo Mondlane, Maputo.
- Sutton, R. 1999. "The Policy Process: An Overview." ODI Working Paper 118, Overseas Development Institute, London.

- Tanner, C. 2005. "Land Rights and Enclosures: Implementing the Mozambican Land Law in Practice." Paper presented at the International Conference of the Changing Politics of Land in Africa: Domestic Policies, Crisis Management, and Regional Norms, University of Pretoria, South Africa, November 28–29.
- Tanner, C., and S. Baleira. 2006. "Mozambique's Legal Framework for Access to Natural Resources: The Impact of New Legal Rights and Community Consultations on Local Livelihoods." Livelihood Support Programme Working Paper 28, United Nations Food and Agriculture Organization, Rome.
- Tarp, F., K. R. Simler, C. Matusse, R. Heltberg, and G. Dava. 2002. "The Robustness of Poverty Profiles Reconsidered." *Economic Development and Cultural Change* 51 (1): 77–108.
- Thirumurthy, H., J. Graff Zivin, and M. Goldstein. 2005. "The Economic Impact of AIDS Treatment: Labor Supply in Western Kenya." NBER Working Paper 11871, National Bureau of Economic Research, Cambridge, MA.
- Thomas, D. 1990. "Intra-Household Resource Allocation: An Inferential Approach." *Journal of Human Resources* 25 (4): 635–64.
- Tschirley, D., Danilo Abdula, and Michael T. Weber. 2006. "Toward Improved Maize Marketing and Trade Policies to Promote Household Food Security in Central and Southern Mozambique." MINAG/DE/DAP Research Report 60E, Department of Agricultural Economics, Michigan State University, East Lansing.
- Tvedten, I., M. Paulo, and C. Rosário. 2006. "*Opitanha*" *Social Relations of Rural Poverty in Northern Mozambique*. Bergen, Norway: Chr. Michelsen Institute.
- UEM (Universidade Eduardo Mondlane). 2006. "Avaliação Social Combinada sobre Pobreza e Género em Moçambique—Niassa, Nampula, Zambézia e Gaza Componente Qualitativa." Background paper for the Mozambique Poverty, Gender, and Social Assessment, Departamento de Arqueologia e Antropologia, Universidade Eduardo Mondlane, Maputo.
- UNAIDS (Joint United Nations Programme on HIV/AIDS). 2004. *2004 Report on the Global Epidemic*. Geneva: UNAIDS.
- . 2006. *2006 Report on the Global Epidemic*. Geneva: UNAIDS.
- UNAIDS (Joint United Nations Programme on HIV/AIDS) and WHO (World Health Organization). 2004. "Epidemiological Fact Sheets on HIV/AIDS and Sexually Transmitted Infections: 2004 Update: Mozambique." UNAIDS and WHO, Geneva.
- . 2005. "AIDS Epidemic Update—December 2005." UNAIDS and WHO, Geneva.
- . 2006a. "AIDS Epidemic Update—December 2006." UNAIDS and WHO, Geneva.
- . 2006b. "Progress on Global Access to HIV Antiretroviral Therapy: A Report on "3 by 5" and Beyond." UNAIDS and WHO, Geneva.

- . 2006c. *2006 Report on the Global AIDS Epidemic*. Geneva: UNAIDS and WHO.
- UNCDF (United Nations Capital Development Fund). 2004. *Avaliação Independente do Impacto de Programa (PIA) do Programa de Desenvolvimento Local do UNCDF*. Maputo: Ebony Consulting International.
- UNDP (United Nations Development Programme). 2000. *Mozambique National Human Development Report 2000—Education and Human Development: Trajectory, Lessons and Challenges for the 21st Century*. Maputo: UNDP.
- . 2006a. *Human Development Report 2006—Beyond Scarcity: Power, Poverty and the Global Water Crisis*. New York: UNDP.
- . 2006b. *Mozambique National Human Development Report 2005—Reaching for the Millennium Development Goals*. Maputo: UNDP.
- UNICEF (United Nations Children's Fund). 2004. *The State of the World's Children 2006, Excluded and Invisible*. New York: UNICEF.
- . 2006. *Childhood Poverty in Mozambique: A Situation and Trends Analysis*. Maputo: UNICEF.
- UNPD (United Nations Population Division). 2006. *World Population Prospects Database*. <http://esa.un.org/unpp/>.
- USAID (U.S. Agency for International Development). 2005. "Corruption Assessment: Mozambique." Management Systems International and USAID, Washington, DC.
- van den Broeck, K. 2005. "Healthcare Use in Mozambique." Background paper for the Mozambique Integrated Poverty, Social, and Gender Assessment, World Bank, Washington, DC.
- . 2006. "Determinants of Stunting and the Role of Child Care Practices in Mozambique." Background paper for the Mozambique Integrated Poverty, Social, and Gender Assessment, World Bank, Washington, DC.
- Walker, T., D. Tschirley, J. Low, M. Pequenino Tanque, D. Boughton, E. Payongayong, and M. Weber. 2004. "Determinants of Rural Income in Mozambique in 2001–2002." International Development Collaborative Working Paper MZ-MINAG-RR-57E, Department of Agricultural Economics, Michigan State University, East Lansing. <http://ideas.repec.org/s/msu/icpwrk.html>.
- WHO (World Health Organization). 1985. "Energy and Protein Requirements." Technical Report 724, WHO, Geneva.
- . 2005. *The World Health Report 2005: Making Every Mother and Child Count*. Geneva: WHO.
- . 2006. *The World Health Report 2006: Working Together for Health*. Geneva: WHO.
- World Bank. 1997. "Mozambique Agricultural Sector Memorandum." World Bank, Washington, DC.

- . 2000. *World Development Report 2000/2001: Attacking Poverty*. New York: World Bank and Oxford University Press.
- . 2004. "Primary Healthcare in Mozambique: Service Delivery in a Complex Hierarchy." Africa Region Human Development Working Paper 69, World Bank, Washington, DC.
- . 2005a. *Better Public Spending on Health to Reach the Millennium Development Goals*. Washington, DC: World Bank.
- . 2005b. *Mozambique Country Economic Memorandum: Sustaining Growth and Reducing Poverty*. Report No. 32615-MZ. Washington, DC: World Bank
- . 2005c. "Mozambique Rural Development Strategy: Promoting Smallholder Agricultural Growth." Environment, Rural, and Social Development Department, World Bank, Washington, DC.
- . 2005d. *Poverty and Social Impact Analysis. Primary School Enrolment and Retention—the Impact of School Fees*. Report No. 29423-MZ. Washington, DC: World Bank.
- . 2005e. *World Development Report 2006: Equity and Development*. New York: World Bank and Oxford University Press.
- . 2006a. "The Human Resources for Health Situation in Mozambique." Africa Region Human Development Working Paper Series 91. World Bank, Washington, DC.
- . 2006b. "Mozambique: Agricultural Development Strategy—Stimulating Smallholder Growth." AFTS1, Agriculture, Environment and Social Development Unit, Country Department 2, Africa Region, World Bank, Washington, DC.
- . 2007. *Mozambique Country Partnership Strategy, 2008–2011: Empowering Institutions and Citizens for Shared Growth*. Washington, DC: World Bank.
- World Bank and African Development Bank. 2004. *Millennium Development Goals for Water and Sanitation: Country Assessment Mozambique*. Washington, DC: World Bank and African Development Bank.
- Yamano, T., and T. S. Jayne. 2004. "Measuring the Impacts of Working-Age Adult Mortality on Small-Scale Farm Households in Kenya." *World Development* 32 (1): 91–119.



# Index

## A

accountability, 3, 26–36, 37, 177, 201, 245  
  mechanisms, 182  
  social, 28–30, 185, 186, 258*n.5*  
agriculture, 2, 45, 65–66, 98–99, 111–131  
  budget, 166  
  commercial, 108, 129, 131  
  consultation, 257*n.15*  
  data, 169  
  diversification, 18–19, 111–112,  
    117–128, 128–129  
  education, 89  
  employment, 79, 82  
  expenditures, 137, 162–167  
  extension services, 25, 166–167,  
    169–170  
  GDP, 71, 72  
  gender and, 100–101, 102–103  
  government spending, 162–170  
  growth, 14–21, 104, 114–115  
  implications for the poor, 167–170  
  income, 62, 70–71  
  labor force, 12, 63–64, 71, 72  
  land use, 202  
  markets, 112, 115–116, 129–131, 257*n.16*  
  mobility, 111–131

  off-farm diversification, 125–128  
  performance, 86  
  poverty dynamics and, 117–128  
  pro-poor, 14–21  
  prices, 71  
  PROAGRI, 162–167  
  productivity, 75, 107–108  
  public spending, 134, 175  
  smallholders and, 164–165  
  women, 98  
Angoche, 85, 183–184  
  vulnerability, 122, 123  
antiretroviral treatment (ART), 231–232,  
  262*nn.14,15*  
assets, 10–11  
  lack of, 56  
  natural resources, 15, 104–105, 107  
authorities  
  local, 198, 200  
  traditional, 199, 200  
  *see also* legislation

## B

beverage trading, 127–128  
births, health facility and, 154



## boys

- education, 51–52
- domestic activities, 52–53
- bribes, 32, 196, 259*n.16,17*
- bridges. *See* roads and. . .

**C**

- Cabo Delgado, 42–43, 46, 216, 250*n.6*
- capacity, 28, 247–248
  - state and local, 185–186
- checks and balances, 26
- children, 51, 57, 250*n.7*
  - see also infant and child mortality; orphans
- Chókwè, 183
  - vulnerability, 122, 123–124
- climate and weather, 112, 113, 118
- coal, 104
- community, 206–207
  - land, delimiting, 35
  - level poverty, 60
- conflict. *See* dispute
- constitution, 199, 200
- construction sector, 64
  - labor force, 73–74
- consultation
  - agriculture, 257*n.15*
  - community, 203, 207–209
  - process, 35–36
- consumers and citizens, responding to, 182, 184
- consumption, 4, 66–67, 104, 249*n.1*
  - bundle, 250*n.9*
  - calculation, 40–41
  - growth, 67–68
  - HIV/AIDS and, 227
  - household, 74–75
  - household size and, 45
- contract farming, 19
- contractual links, 20
- coping strategies, 48–50
  - by social group, 49
- corruption, 32, 195, 258*n.8*
- cost of living, 93
- costs, inflation vs, 63
- country context, 23
- courts, community, 197–198
- criminal justice. *See* justice system

## crops

- diversification, 115
- income, 12–13, 18–19, 116–117, 128–129
- production, 113–115
- yields, 115

**D**

## data

- agriculture, 169
- expenditures, 136
- HIV/AIDS, 214
- report analysis, 41–42
- survey, 41, 250*n.8*
- day labor. *See* *ganho-ganho*
- decentralization, 27–30, 178, 179–189, 257*n.2*, 258*n.3*
  - features, 180–181
  - justice and, 30–31
  - recommended actions, 211–212
- decision-making, household, 193–194
- deconcentration, 257*n.2*
- deficit, 66
- delegation, 257*n.2*
- delimiting initiatives, 35
- dependency ratio, 45
- development, 95–96
  - observatory, 262*n.4*
- devolution, 257*n.2*
- disabled persons, 50–51
- dispute resolution, 199
  - Nampula, 201–201
  - urban vs rural, 197
- disputes, 57
- diversification, 95–96
  - agricultural, 18–19, 111–112, 117–128, 128–129
  - off-farm, 125–128
  - see also* income diversification
- domestic activities, orphans vs nonorphans, 52–53
- domesticos*, 76–77
- domestic terms of trade, 253*n.2*
- domestic violence, 260*n.30*
- donors, 4
  - aid, 11, 63
  - alignment and harmonization, 242
- downsizing, local effects, 85
- drought, 48
- durable goods, 10–11, 45

**E**

earnings. *See* income  
 economics  
   adjustment, 95–96  
   development, 242  
   macro, 66, 95–96  
   regional differences, 65  
   structural changes, 70–75  
 education, 22–23, 24–25, 45, 54–56, 64,  
   105, 106, 255*n.1*  
   access to, 8–9, 134, 143  
   benefit incidence, 147, 148  
   dropout rates, 145  
   earnings and, 88–90, 91  
   efficiency, 145–148  
   expenditures, 137, 256*n.5*  
   girls/women, 9, 12, 17, 22–23, 51–52,  
     96–97, 157–159, 255*n.3*  
   government spending, 138–149  
   HIV/AIDS, 220–221, 233, 262*n.13*  
   infrastructure, 140–141, 148–149  
   labor force and, 74  
   labor mobility, 98  
   mothers, 157–159  
   orphans, 52, 251*n.19*  
   perceptions on changes, 148–149  
   public spending, 134, 174  
   quality, 145–146  
   satisfaction, 148  
   urban, 84, 148, 255–256*n.4*  
 elderly people, 50  
 electricity, 105  
 employment, 17, 54, 55, 64  
   classification, 80, 253*n.5*  
   expansion, 96  
   farm sector and, 21  
   jobs, 16, 253*n.6*  
   by sector, 73, 82  
   structural changes, 70  
   urban vs rural, 17  
 empowerment, 26, 178  
   *see also* land rights  
 expenditures  
   agriculture, 137, 162–167  
   data, 136  
   education, 137, 256*n.5*  
   governance, 137  
   health, 137, 150, 152, 159, 256*n.13*,  
     256–257*n.14*  
   infrastructure and social action, 137  
 experience, earnings and, 90–91

**F**

facilities, public spending, 135  
 family and friends, coping strategies, 48  
 Family Law (2005), 26, 30, 178,  
   191, 192–193  
 family-owned businesses, 64, 79,  
   100, 253*n.5*  
 farmers  
   contract, 129, 130–131  
   income, 64  
   networks, 251*n.13*  
   subsistence, 62  
   *see also* agriculture  
 female-headed households, 44, 51, 53  
   health services, 161  
   HIV/AIDS, 216, 227–228, 262*n.11*  
   rural, 116  
   *see also* women  
 financial management, 135–136  
 fines, 196  
 firms, employment in, 65  
 fishermen networks, 251*n.13*  
 five-year plan, goals, 1–2  
 food  
   aid, 66  
   flexible bundle, 40–41  
   security, 59–60, 252*n.25*  
 food crops, 12–13, 113, 114  
 foreign direct investment (FDI), 16, 106  
 forestry, 113

**G**

G20, 243–244, 245–246  
*ganho-ganho*, 49, 50, 250*n.12*  
 GDP, 14, 103–104  
   agriculture and, 70, 71, 112, 113  
   by expenditure category, 66  
   industry, 71, 72  
   spending and, 136, 138  
 gender  
   development, 46  
   education, 96–97  
   equity, 17–18, 22, 101–103, 109,  
     200–211  
   HIV/AIDS, 218, 220  
   labor market trends, 97–99  
   livelihood trends, 99–101  
   poverty and, 40, 44, 101–103  
   pro-poor growth and, 96–103

geographic variation, 42

girls

- domestic activities, 52–53
- education, 9, 12, 17, 22–23, 51–52, 96–97, 157–159, 255*n*.3
- see also* women

governance, 3, 26–36, 37, 241

- accountability and, 177
- capacity building and, 242–243
- expenditures, 137
- monitoring and advocacy, 262*n*.5
- poor, 57–58

government spending, 14–15, 104

- agriculture, 162–170
- education, 138–149
- health, 149–162, 256*n*.8
- monitoring, 25–26, 135, 175–176
- policy, 23, 133–176
- pro-poor, 173–176
- structure of, 135–138
- water, 170–173

gross domestic product. *See* GDP

growth, 3–5

- cycles, 65, 103–104
- decline, 15
- determinants, 15–16, 67
- factors, 105–106
- HIV/AIDS and, 230, 233
- mechanisms, 63–109
- poverty reduction and, 11–13
- pro-poor, 4, 11, 14–21, 37, 103–109
- rate, 15

## H

health, 24

- indicators, 22

health services

- access to, 9–10, 134, 152–154
- changes, 161–162
- distance from, 152–153, 162, 256*n*.9
- expenditures, 137, 150, 152, 159, 256*n*.13, 256–257*n*.14
- facilities, 151, 152
- government policy and spending, 149–162, 256*n*.8
- health outcomes, 154–159
- household expenditures, 160
- implications for the poor, 159–162
- Malawi and Maputo, 190
- network, 161

- poor, 56
- public spending, 134, 174–175
- staff, 151
- structure, 149
- targeting, 159–160
- use, by facility type, 160

history, 40

HIV/AIDS, 51, 213–233, 251*n*.15

- ART and, 231–232, 262*nn*.14,15
- data used, 214
- demographic effects, 222–230
- determinants, 213, 215, 217–218
- growth and, 13–14
- livelihood and, 226–230, 261*n*.10, 262*n*.11
- macroeconomic impact, 230, 233
- monitoring, 214–215
- mortality, 223, 224, 226–229, 233, 261*n*.10
- prevalence, 155, 156, 213, 215–217, 219, 232, 260–261*n*.1, 262*n*.17
- prevention methods, 221–222, 261*n*.5
- refugees and, 215–216, 261*n*.2
- transmission, 216
- women and, 213, 218–222, 232–233

home production, 99, 254*n*.18

household

- characteristics, by income group, 44–45
- composition, HIV/AIDS and, 228
- consumption, 42, 53–55
- diversification, 13
- education expenditures, 146
- health expenditures, 160
- income, 5–7, 108, 116–117, 118
- livelihood survey, 41
- members, 54
- production, gender and, 100–101
- relations, 192–194
- rural, 13, 59–61
- size, 45
- welfare, 56, 105

housing, 10–11, 45

human capital, 2–3, 37, 241

- public services and, 21–26
- requirements to build, 3
- see also* labor force

human development

- index (HDI), 45–47
- regional, 46, 47

human immunodeficiency virus and

- acquired immune deficiency syndrome. *See* HIV/AIDS

## I

identification cards, national, 192, 259n.20

illness, 48, 51  
*see also* health care

implementation, incentives, 30

inclusiveness, 26, 58, 177, 187–188

income, 40, 74, 87–91, 249n.1, 253n.8  
 agriculture, 93–94, 95, 254n.10  
 distribution, 254n.11  
 education and, 88, 89, 91  
 experience and, 90–91  
 growth, 64, 96  
 household, 5–7, 108, 116–117, 118  
 inequality, 94, 254n.14  
 per capita, 250n.10  
 poverty, 7, 46  
 shock, 13  
 sources, 87, 99, 117, 254nn.18,19  
 wages, 11–12, 21  
 women vs men, 99–100

income diversification, 85–86, 92–93, 94–95, 98, 112, 131–132  
 labor mobility and, 20–21  
 rural, 87, 92–93, 117–118, 120, 125–128  
 women and, 99

Indonesia, infrastructure project, 103

industry, 73, 107  
 GDP and, 71, 72  
 growth, 104  
 labor force, 71, 72, 73–74, 253n.4  
 privatization and restructuring, 87

inequality, 68  
 growth and, 106  
 industry, 107  
 perceptions of (2006), 58–62

infant and child mortality, 154, 155, 156, 222, 256n.11, 261n.6  
*see also* children; orphans

inflation, 63, 66

information, 24–25  
 rights and responsibilities, 31–32, 191–201, 259n.14

infrastructure, 56, 64  
 community, women and, 103  
 expenditures, 137  
 investment, 19–20

Inhambane, 43

inheritance, 53

institutions

new, 19–20, 178  
 poor, 57–58

internal terms of trade, 62, 252n.27

investment, 66, 67, 107  
 private, 4, 67

## J

jobs, 16, 253n.6

judicial services

access to, 30–33, 178, 189–191, 189–191, 194–195, 258n.9, 259n.15

costs, 194

distance, 194–195

household constraints, 31, 195

justice system, 258n.7

criminal justice, 200, 259n.20

fairness, 32, 195

formal and customary, 32–33, 196–201

police, 196, 200, 259n.18

quality, 196

*see also* legislation

## L

labor, division of, 101–102

labor force, 12, 249n.1

agriculture, 12, 63–64, 71, 72

construction, 73–74

defined, 76–77

distribution, 81

education and, 16

growth and, 67, 96

HIV/AIDS and, 224

industry, 71, 72, 73, 253n.4

mobility, 20–21, 74, 98, 106

productivity, 63–64, 74

rural, 16, 74, 84, 106

services, 71, 72–73

trends, 64, 76, 79–84, 99–101

urban, 16, 106

women, 12

land

access to, 260n.32

administration, local, 36

agriculture, 202

claims, 260n.28

community, 206–207  
 incentives, 212  
 informal market, 203  
 rights, 33–36, 179, 202–212  
 tenure, 212, 260*n*.32  
 title, 3, 205, 206, 260*m*.26,28  
 use, 202, 212

Land Law (1997), 26, 30, 33–34, 178, 190, 202–204, 259*m*.21,22

language, 258*n*.13  
 laws and, 194, 259*n*.23  
 legal information, 201, 259–260*n*.24

Law for Local State Bodies (LOLE), 180–181, 258*n*.4

legal information, language, 201, 259–260*n*.24

legislation, 26, 30–33, 178, 191, 194, 198, 258*n*.3, 259*n*.20, 259–260*n*.24  
 civil and criminal code, 259*n*.20  
 constitution, 199, 200  
 Family Law (2005), 26, 30, 178, 191, 192–193  
 Land Law (1997), 26, 30, 33–34, 178, 190, 202–204, 259*m*.21,22  
 LOLE, 180–181, 258*n*.4  
 Portuguese colonial rule, 199  
*see also* justice services; justice system

leisure time, children, 53

life expectancy, 156, 222, 223, 256*n*.11  
 HIV/AIDS mortality, 223, 224, 226–229, 233, 261*n*.10  
 infant and child mortality, 154, 155, 156, 222, 256*n*.11, 261*n*.6  
 maternal mortality, 256*n*.11

livelihood, 56  
 changes, 76, 79, 91–92  
 dynamics, 77–78  
 earnings, 87–91, 91–96  
 gender and, 99–101  
 HIV/AIDS and, 226–230, 261*n*.10, 262*n*.11  
 household, 75–96  
 labor market, 91–96  
 the poor, 91–96  
 patterns, 84–87

livestock, 93, 113  
 assistance, 167

living conditions. *See* well-being

Local Initiative Investment Budget (OIIL), 181, 185

location, poverty and, 69–70

**M**

macroeconomics. *See* economics

maize, 113

Malawi  
 health care, 190  
 trade, 66

male-headed households, 44, 59

malnutrition, 155, 157  
 growth and, 157–159

Manica, HIV/AIDS, 217

manufacturing, 66, 106

Maputo, 43, 182, 184  
 health care, 190

markets, 4  
 agricultural, 112, 115–116, 129–131, 257*n*.16  
 development, 19–20  
 information, access to, 20  
 participation, 19–20

maternal mortality, 256*n*.11

migration, 65, 68, 254*n*.16  
 HIV/AIDS, 216

monetary dimensions of poverty, 40–44  
 measurement, 40

monitoring and evaluation, 211, 242  
 governance, 262*n*.5  
 government spending, 25–26, 135, 175–176  
 HIV/AIDS, 214–215  
 mechanisms, 246–247  
 participation, 29  
 PO, 246–247

Mozambique, 40  
 urban, 180–185

Municipal Finance Law, 182–183

municipalization, 180, 183–184

**N**

Nacala, 105

Nampula, 46, 85  
 conflict resolution, 201  
 water quality, 172

national identification cards, 192, 259*n*.20

natural resources, 15, 104–105, 107

networks and relationships, 50  
 fishermen/farmers, 251*n*.13  
 health services, 161  
 schools, 148

nutrition. *See* malnutrition

nutrition paradox, 157–159

**O**

*Official Bulletin*, 191, 203  
 Opinion Council, 243, 246  
 orphans, 51–52, 222, 224–226, 233  
   education, 52, 226, 251*n.19*  
   number of, 225, 261*n.8*  
 output, 70, 73  
 ownership, HIV/AIDS and, 227

**P**

PARPA, 2, 22, 164, 235  
   civic engagement, 243–248  
   expenditures, 138  
   goals, 136, 138  
   health spending, 149–150  
   PO and, 246–247  
 PARPA I, 2, 235–236, 236–241  
   features, 237–238  
 PARPA II, 2, 26, 235, 236, 241–243  
   features, 237–238  
   pillars, 241–242  
 participation, 27–30  
   improving, 186–188  
   incentives, 30, 188–189  
   PO, 248  
 physicians, 151  
 pilot studies, 30, 189  
 Plano de Acção para a Redução da Pobreza  
   Absoluta. *See* PARPA  
 PO. *See* poverty observatory  
 police, 196, 200, 259*n.18*  
 population, 40, 43  
   by province, 44  
 Portuguese colonial rule, 199  
 poverty, 55–62  
   chronic, 118–121  
   correlates, 255*n.4*  
   defined, 55–58, 251–252*n.22*  
   dimensions of, 56–58  
   incidence, 42, 120, 249*n.2*  
   line, 255*n.2*  
   measures of, 249*n.2*  
   mobility out of, 119, 121  
   monetary dimensions, 40–44  
   perceptions of (2006), 58–62  
   rate, 39, 42, 43  
   rural, 6–7, 39, 42, 43, 111–131  
   transitions, 119, 121–124, 255*n.5,6*  
   trends, 60–62, 252*n.26*  
   welfare and, 121–124  
 Poverty and Vulnerability Survey, 8  
 poverty gap, 42, 249*n.2*  
   indexes, 5–6  
 poverty observatory (PO), 29, 236, 243,  
   244, 245–246, 262*n.2-4*  
   monitoring, 246–247  
   participant frustration, 247–248  
   participation, 248  
   recommended actions, 248  
   structure and function,  
     244–246  
 poverty reduction, 5–6, 16, 105–106  
   civic engagement, 243–248  
   environment (1997–2003), 65–70  
   growth and, 11–13, 63  
   PARPA I, 236–241  
   PARPA II, 241–243  
   pro-poor government spending,  
     173–176  
   rural, 128–131  
   strategies, 1–2, 26, 235–248  
   sustaining, 128–132  
 pregnancy, HIV/AIDS, 220  
 prices, 67  
   income vs, 93, 254*n.13*  
 primary education, government spending,  
   139–140, 147–148  
 private sector  
   growth, 2, 11–12  
   investment, 63  
   pro-poor growth, 14–21  
 privatization, 87  
 PROAGRI  
   budget, 166  
   expenditures, 162–167  
   smallholders and, 164–165  
 processing plants, closing, 85  
 productivity, 64, 253*n.3*  
   agriculture, 75  
   growth, 67  
   services, 75  
   structure, 63–64  
 pro-poor growth, 63–64  
 public sector  
   human capital and, 21–26  
   insecurity, 57  
   policy, 133–176  
   resources and support, access to,  
     58–59  
   services, 23  
   spending, 24–26, 63  
 public works, 21, 108–109, 112

**R**

refugees, HIV/AIDS and, 251–216, 261*n.2*  
 representation, 28–30, 186–188  
 rights  
   awareness of, 211  
   citizenship, 192  
   inheritance, 53  
   protection, 212  
   women, 36, 192–194, 209–211, 260*m.32,33*  
   *see also* justice system; legislation  
 risks, 48  
   coping strategies, 49  
   income, 93–94  
   *see also* vulnerability  
 roads and bridges, 19–20, 65, 105, 129–130  
   agriculture and, 115–116  
 rural people  
   coping, 49  
   division of labor, 102  
   employment, 80  
   food security, 60  
   health care, 9–10  
   households, 13  
   income diversity, 87, 92–93, 117–118, 120, 125–128  
   labor force, 74  
   livelihood strategies, 13  
   perceptions of poverty, 59, 61  
   population, 45  
   public works, 108–109  
   school attendance, 74  
   social services, 4  
 rural poverty, 6–7, 39, 42, 43, 111–131  
   reduction, 128–131  
   *see also* agriculture  
 rural–urban gap, 68  
   changes, 69

**S**

school attendance, 143–145  
   boys vs girls, 97, 143, 144–145  
   distance, 144–145, 148–149  
   HIV/AIDS and, 226, 229  
   labor force and, 74  
   orphans, 52, 144  
 schools  
   government spending, 140–141  
   network, 148

seasonality  
   climate and weather, 112, 113, 118  
   malnutrition and, 158  
   water supply, 257*n.17*  
   well-being and vulnerability, 121, 122, 123–124  
 self-employment, 16, 20, 79, 81, 82–83, 92, 253*m.5,7*  
   education, 89  
   growth, 84  
   nonfarm, 127–128  
   rural, 84  
   wages, 88, 89  
 services, 79  
   access to, 7–10, 133  
   community role, 27–28  
   delivery, 27  
   growth, 104  
   public spending, 134–135, 173  
   quality, 135  
   rural areas, 4  
 service sector, 64  
   growth, 71–72  
   GDP and labor force, 71, 72–73  
   income, 73  
 shocks, 48  
 Sistema de Administração de Fundos do Estado (SISTAFE), 135, 171  
 smallholders  
   household income, 108  
   PROAGRI and, 164–165  
 social accountability, 28–30, 185, 186, 258*n.5*  
 social capital, 56–57  
 social services. *See* services  
 Sofala, 42, 43, 155, 157, 250*n.5*  
   HIV/AIDS, 216  
 spending, outcomes vs, 22  
 squared poverty gap, 42, 249*n.2*  
 stigma, 251*n.15*  
 stunting, 155, 156, 157, 256*n.12*

**T**

taxation, bicycles, 149  
 teachers, 141, 142, 149  
 tobacco, 113–114  
 trade, 65–66, 116  
   domestic terms, 253*n.2*  
   international, 67  
 transport. *See* roads and bridges

trends, 64–65  
 changes, 69–70  
 labor force, 64, 76, 79–84, 99–101  
 labor market, 97–99  
 livelihood, 99–101  
 poverty, 60–62, 252*n*.26  
 predicted, 65

## U

unemployment  
 perceptions, urban, 83  
 term, 83  
 urban people, 250*n*.3  
 coping, 49  
 division of labor, 102  
 employment, 80, 82, 83  
 food security, 60  
 growth, 11–12  
 HIV/AIDS, 217–218  
 households, 59–62  
 inequality, 68  
 perceptions of poverty, 59, 61, 83  
 poverty, 6, 42, 43

## V

vaccination, 154, 160, 256*n*.10  
 vulnerability, 13, 39–40, 48, 250*n*.11  
 coping strategies, 13, 49  
 groups, 50–53, 251*n*.14  
 HIV/AIDS, 218, 220  
 poverty and, 41  
 rural, 118–121  
 seasonality, 121, 122, 123–124

## W

wage employment, 20–21, 79, 81, 92, 93,  
 254*m*.9,15  
 agriculture and, 125–128, 131–132  
 education and, 89, 90  
 experience and, 90–91

preference, 83  
 women, 100  
 wages. *See* income  
 wasting, 155, 156, 157  
 water supply, 25  
 access to, 10, 23, 134, 173  
 distance, 172, 255*n*.3  
 government spending, 170–173  
 inequality, 171–172  
 public spending, 175  
 seasonality, 257*n*.17  
 user fees, 171  
 wealth, HIV/AIDS and, 220–221, 233  
 well-being, 4, 5, 46  
 classes, 92  
 living conditions, 5–7  
 market participation and, 115–116  
 poverty transitions and, 121–124,  
 255*m*.5,6  
 self-assessment (2006), 59, 252*n*.26  
 widows and widowers, 53  
 witchcraft, 57, 252*n*.23  
 women, 17, 57  
 education, 12  
 employment, 17, 109  
 female-headed households, 44, 51, 53,  
 116, 161, 216, 227–228, 262*n*.11  
 HIV/AIDS and, 213, 218–222  
 labor force, 12  
 land tenure, 260*n*.32  
 livelihood strategies, 50  
 PO and, 245  
 rights, 36, 192–194, 209–211,  
 260*m*.32,33  
*see also* gender, equity

## Y

youth, jail, 259*n*.20

## Z

Zambezia, 46, 157  
 HIV/AIDS, 217



## ECO-AUDIT

### *Environmental Benefits Statement*

The World Bank is committed to preserving endangered forests and natural resources. The Office of the Publisher has chosen to print *Beating the Odds: Sustaining Inclusion in Mozambique's Growing Economy* on recycled paper with 30 percent post-consumer waste, in accordance with the recommended standards for paper usage set by the Green Press Initiative, a nonprofit program supporting publishers in using fiber that is not sourced from endangered forests. For more information, visit [www.green-pressinitiative.org](http://www.green-pressinitiative.org).

#### Saved:

- 5 trees
- 3 million BTUs of total energy
- 3,237 lbs. of CO<sub>2</sub> equivalent of greenhouse gases
- 1,680 gallons of waste water
- 216 pounds of solid waste



The story of Mozambique is one of successful transformation. Since 1994, when it faced a decimated infrastructure, a weak economy, and fragile institutions, it has sustained high economic growth and has made tangible reductions in poverty. Its recovery from civil conflict and extreme poverty make it a showcase for other nations embarking on similar transitions.

Still, more than half of the population lives in poverty. Gaps persist between city dwellers and farmers, men and women, rich and poor. And although growth continues, there is concern that Mozambique's drive to reduce poverty may lose momentum as happens in many countries recovering from conflict. If the successes of the past are to be extended into the future, policy makers must take stock of what has worked and what has not as they develop new ways of improving the living standards of all Mozambicans.

*Beating the Odds: Sustaining Inclusion in Mozambique's Growing Economy* focuses on changes in poverty and household community welfare from 1997 through 2003. It uses monetary, human, and social indicators in combination with quantitative and qualitative approaches to understand poverty trends within the country and the dynamics that shaped them. Intended to support the development and implementation of pro-poor policies, its integration of poverty, gender, and social analysis will be of particular interest to policy makers, development practitioners, academics, and researchers.



THE WORLD BANK

ISBN 978-0-8213-7565-5



SKU 17565