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Is Poverty Decreasing in Mozambique?

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Abstract

To both the World Bank and UNICEF, it is a 'paradox' – how can poverty be falling while chronic child malnutrition is rising in Mozambique? This paper offers four linked answers. First, people's living standards are very insecure; half the rural people above the poverty line in 2002 had fallen below the line in 2005, to be replaced by others rising. Second, differentiation is increasing, with most of the growth in GDP going to the top 20%, while the spread between the poor, very poor and extremely poor is increasing. Third, the official fall in poverty is exaggerated, because it is based on people eating cassava rather than maize – which may be one reason for the rise in malnutrition. Fourth, most people cannot use the present economic model to pull themselves out of poverty by their own bootstraps, because they are so poor that they have no assets and external links, and cannot use the free market. The paper highlights the lack of jobs and the way risk is shifted to the poorest. The paper concludes that there are three groups. At the top are perhaps 7% to 15% of Mozambicans with assets and jobs who are already doing well and can take advantage of the free market. At the bottom are half of Mozambicans who cannot properly feed their children, have no chance to use the free market, and are sinking deeper into poverty. In the middle is an insecure group, rising and falling according to the vagaries of the market and their health, and desperately trying to stay out of poverty.

Introduction

The World Bank in 2007 talked of Mozambique's 'blistering pace of economic growth'.[1] A joint donor-government study in early 2007 said 'Mozambique is generally considered an aid success story.'[2] The IMF in early 2007 said 'Mozambique is a success story in Sub-Saharan Africa,

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[1] World Bank, *Beating the Odds: Sustaining Inclusion in a Growing Economy – A Mozambique Poverty, Gender and Social Assessment,* Washington: World bank, Report 40048-MZ, 29 June 2007. (Team led by Louise Fox.) ¶ iii.

[2] 'Donor cooperation strategy with Mozambique', KPMG, 2007 p 46

benefiting from sustained large foreign aid inflows, strong and broad-based growth and deep poverty reduction.'[3]

Yet, despite this apparent success, both the World Bank[4] and UNICEF[5] use the word 'paradox' to describe rising chronic child malnutrition in the face of GDP growth. And in a 2006 survey, three-quarters of Mozambicans said that in the past five years their economic position had remained the same or become worse.[6] In this paper, we offer four linked answers to the paradox:

- People's living standards are very insecure and there is substantial movement in and out of poverty.
- Differentiation is increasing, both between the poor and better off, and within the poor (between the very poor, abjectly poor and starving).
- The claimed fall in poverty is exaggerated. People are eating more cassava, which may be a cause of malnutrition.
- Most poor people do not have the assets and access to use the present market-centred economic model, so cannot pull themselves out of poverty by their own bootstraps.

Insecurity

Seventy percent of the Mozambican population is officially rural and is covered by the rural household income surveys (*Trabalho de Inquérito Agrícola*, TIA). Comparing the surveys of 2002 and 2005 shows huge insecurity and large movements in and out of poverty. Figure 1 is from a 2006 study by Gilead Mlay and others[7] and shows that half of the rural people above the poverty line in 2002 had fallen below the poverty line in 2005. Using their estimate of the poverty line, the percentage of the population above the poverty line increased by 3%, because 18% of people rose above the poverty line while only 15% fell below it. But this is a huge movement in just three years and shows substantial insecurity.

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[3], 'Republic of Mozambique: Fifth Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility …', IMF, 2007 p 4.

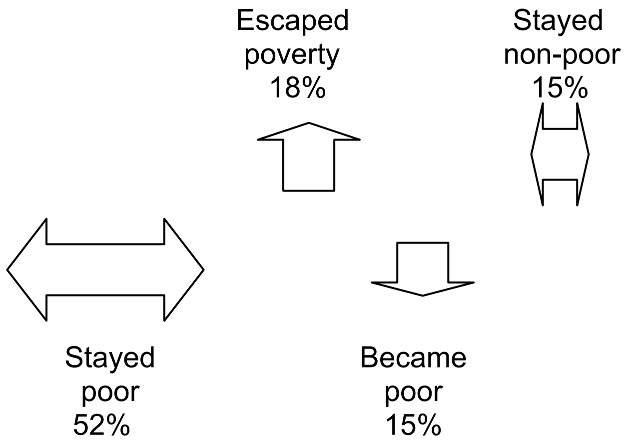
[4] World Bank, *Beating the Odds*, Box 1.1

[5] UNICEF, *Childhood Poverty in Mozambique: A Situation and Trends Analysis*, Maputo: UNICEF, 2006, p 18. Chronic malnutrition, measured through 'stunting', a low height to age ratio, for children under 3 years of age, increased from 36% in 1997 to 37% in 2003; the increase in rural areas was from 39% to 41%. UNICEF, *Childhood Poverty* … p 94.

[6] World Bank, *Beating the Odds*, tables 1.12 & 1.13

[7] Gilead Mlay et al, 'Analysis of Income and Poverty Dynamics in Rural Mozambique 2002-2005', talk at USAID Strategy Workshop, Maputo, 2-3 Nov 2006. Based on Trabalho de Inquérito Agrícola (TIA) 2002 and 2005.

Figure 1. Rural poverty dynamics 2002 to 2005



Source: Gilead Mlay et al, 'Analysis of Income and Poverty Dynamics in Rural Mozambique 2002-2005', talk at USAID Strategy Workshop, Maputo, 2-3 Nov 2006. Based on Trabalho de Inquérito Agrícola (TIA) 2002 and 2005.

Table 1: Rural Poverty Status And Poverty Transition Matrix, 2002 – 2005

	Poverty Groups *(% of households)*			
Survey Year	*Extremely Poor*	*Poor*	*Non-Poor*	*Better off*
2002	42.8	27.1	12.9	17.2
2005	43.1	23.7	11.1	22.1

Poverty Transitions 2002 - 2005

	Poverty Status became in 2005 (% of households, given status in 2002)				
Poverty Status in 2002 was:	Extremely Poor	Poor	Non-Poor	Better off	All
Extremely Poor	**56.4**	22.8	7.6	13.3	100.0
Poor	40.9	**27.4**	12.4	19.4	100.0
Non-Poor	33.0	24.1	**14.4**	28.5	100.0
Better off	22.6	20.2	15.9	**41.4**	100.0

Extremely poor = income less than half the poverty line
Poor = income above half the poverty line, but still below it
Non-poor = income above the poverty line, but below 1.5 times the poverty line
Better off = income over 1.5 times the poverty line (The World Bank calls this group 'wealthy')

Table from: World Bank, *Beating the Odds: Sustaining Inclusion in a Growing Economy – A Mozambique Poverty, Gender and Social Assessment*, Washington: World bank, Report 40048-MZ, 29 June 2007. Table 4.14

A World Bank study earlier this year disaggregated the data further by looking at four income groups. Looking at the last line of Table 1, what happened to the better off – those with an income of more than 1.5 terms the poverty line – shows that even this group is insecure. Only 41% were able to hold their better-off status after three years, while an even larger group (43%) had fallen below the poverty line. Perhaps most dramatically, 23% had fallen from better off to extremely poor, meaning that in 2005 they had less than one-third the income they had had in 2002. But the table also shows that some of the extremely poor had tripled their income and moved up to the better off group.

Shocks, particularly family illness and deaths, hit most poor families each year.[8] Loss of jobs and cash income is the other important factor in insecurity.

We can loosely divide the rural population into three groups:

- those who remained 'better off', and who are just 7% of the rural population (41% of 17%),
- the 52% who stayed below the poverty line, and
- the remaining 41% who are an insecure group whose position changed notably in three years.

Differentiation

The end of the war brought a 'peace dividend' – people returned to their land and started farming again, and opened up new land, while the repair of roads triggered a large increase in trade. In the first years, everyone gained. But the gains have been unequally distributed, and now the poorest are losing ground.

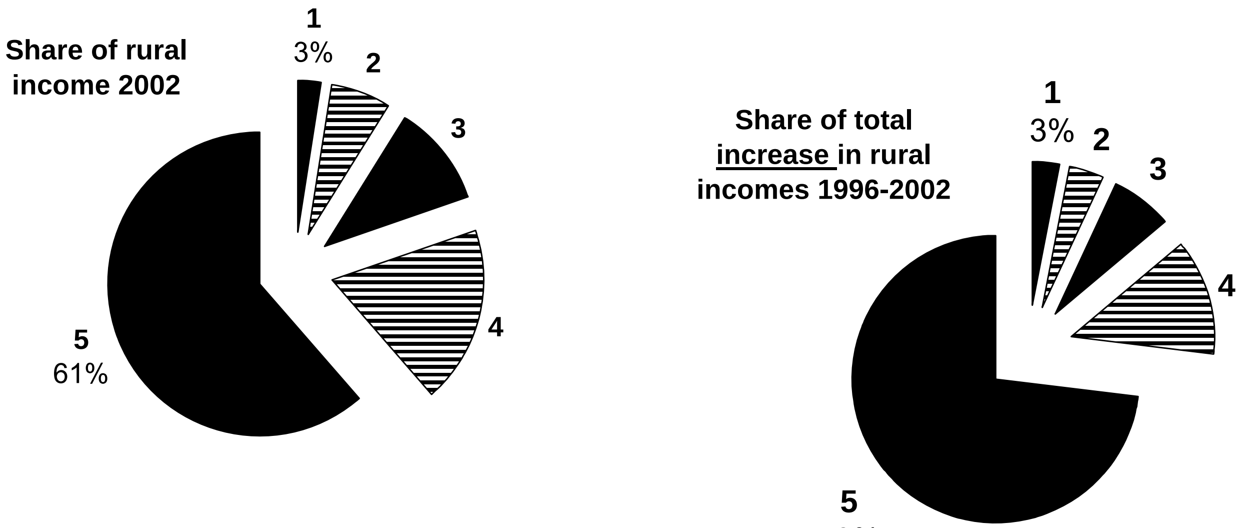
Figure 2 comes from a study by Duncan Boughton and others published last year, based on the 1996 and 2002 TIAs, divided by income quintiles. The first pie chart shows that the richest fifth of the rural population in 2002 had 61% of the income, while the poorest fifth had only 3% of rural income and the next fifth had only 6% of total income. The second pie chart shows that gains between 1996 and 2002. All five groups gained something, but 73% of the increase went to the richest group, while only 3% went to the poorest and 4% to the next group.

But whereas everyone gained up to 2002, most people lost in the next three years, as Table 2 shows. The median income for the three poorest groups fell – and for very poorest fell dramatically. Again, the best off gained most.

This data applies only to the 70% of the population in rural areas, but the World Bank argues that 'inequality within the urban sector is much more prevalent', both 'within cities and between richer urban areas such as Beira and Maputo and smaller, poorer urban areas.'[9]

[8] World Bank, *Beating the Odds* …, 2007, ¶ 2.29, Tables 2.14,2.15

Figure 2
Share of rural income and income increase, by quintile of household income



1 = poorest 1/5 of households
5 = highest income 1/5 of households

The chart shows that the poorest 1/5 of households have only 3% of rural income and received only 3% of the gains between 1996 and 2002.

Source: Joseph Hanlon, *Do more bicycles equal development in Mozambique?*, Oxford: James Currey, 2008 forthcoming, based on Duncan Boughton et al, 'Changes in Rural Household Income in Mozambique, 1996-2002', Ministry of Agriculture and Michigan State University, 2006, Research Report 61E, table 3 and figure 4, based in turn on TIAs 1996 and 2002,

Table 2 Median rural income changes 2002 to 2005

Income quintile	**% change in median income 2002 to 2005**
1 (poorest)	-27%
2	-14%
3	-4%
4	11%
5 (best off)	21%
National rural median	**-3%**

Source: Gilead Mlay, 'Analysis of Income …', 2006, based on TIAs 2002, 2005

Table 3 Measures of inequality, 1996 and 2002.

	GINI		**THEIL**	
	1996	**2002**	**1996**	**2002**
Urban	0.47	0.48	0.37	0.46
Rural	0.37	0.37	0.23	0.26
All	0.40	0.42	0.29	0.34

Source: World Bank, *Beating the Odds*, table 3.5

[9] World Bank, *Beating the Odds* …, 2007, ¶ 3.75

It is useful to look at measures of inequality (See Table 3). These are 0 for totally equal societies and 1 if all money is held by one person. The conventional measure is the Gini coefficient which shows a slight increase in urban inequality between 1996 and 2002. But the Theil index, which shows income transfers from poor to rich[10], shows quite a large increase in urban inequality and also an increase in rural inequality.[11]

A third way to look at this is to compare mean and median incomes. The mean is the arithmetic average, while the median is the halfway point. If three of us have $1, $2, and $6, then the mean is $3 ($9÷3) while the median is $2. When the mean is larger than the median, it tells us that more money is going to the rich. Between 1996 and 2002, the rural median income rose by 30%, suggesting most people gained, but the mean rose by 65%,[12] suggesting as Table 2 showed, that the best off gained most. This continued between 2002 and 2006, when the median *fell* by 3%, suggesting most people were worse off, but the mean rose by 18%, suggesting the top group did very well.[13]

Nampula, the largest province, shows a particularly dramatic fall. It was the only province to show a decline between 1996 and 2002, with a fall in the median of 31%, and then in the next three years the median fell another 29%.

Figure 3 gives another measure of the degree of poverty of the poorest. For the poorest 60% of the population, nearly half of children are malnourished and one-fifth of children die before their fifth birthday. For the best off 20%, the levels are still high, but only half that of the poorest.

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[10] Pedro Conceição and Pedro Ferreira, 'The Young Person's Guide to the Theil Index: Suggesting Intuitive Interpretations and Exploring Analytical Applications, Austin, Texas: University of Texas, 2000, University of Texas Inequality Project Working Paper Number 14

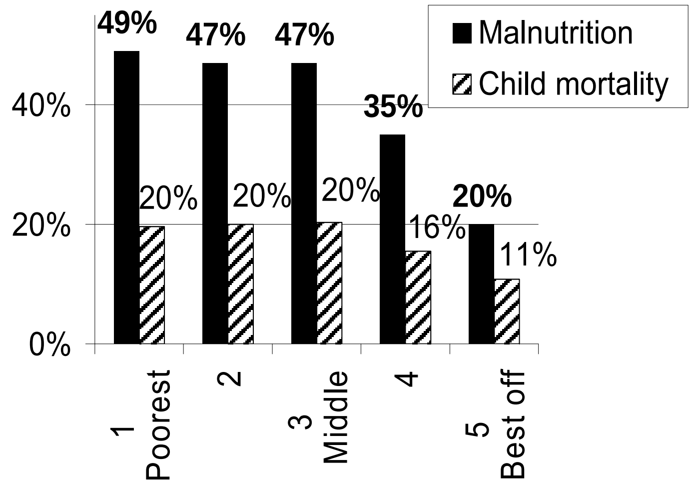
[11] World Bank, *Beating the Odds …*, 2007, Table 3.5

[12] Duncan Boughton et al, 'Changes in Rural Household Income in Mozambique, 1996-2002', Ministry of Agriculture and Michigan State University, 2006, Research Report 61E,Table 2

[13] Gilead Mlay et al, 'Analysis of Income …' 2006.

Figure.3

Child malnutrition and mortality by income group, 2003, under 5 years of age



Source: Joseph Hanlon, *Do more bicycles equal development in Mozambique?*, Oxford: James Currey, 2008 forthcoming. Malnutrition is 'chronic malnutrition' as measured through 'stunting', a low height to age ratio, from IDS 2003: Ministério da Saúde, *Moçambique Inquérito Demográfico e de Saúde 2003*, Maputo: Instituto Nacional de Estatística, 2005. Child mortality is the percentage of children that die before the 5th birthday, from World Bank, *Mozambique Country Economic Memorandum*, Report 1615-MZ, Washington: World Bank, 2005.

Table 4
Perceptions of economic change in household poverty

2006 survey, changes over the past five years

	RURAL			**URBAN**		
	All	**Poorest 1/3**	**Best off 1/3**	**All**	**Poorest 1/3**	**Best off 1/3**
Worse	41%	62%	24%	38%	51%	24%
Not changed	33%	28%	30%	37%	37%	33%
Better	27%	11%	46%	25%	12%	43%

Source: World Bank, *Beating the odds …,* 2007 Tables 1.12 and 1.13, from a Poverty and Vulnerability Survey carried out for the study.

2002 survey, past year

	All	**Quintile 1 (poorest)**	**Quintile 2**	**Quintile 3 (middle)**	**Quintile 4**	**Quintile 5 (best off)**
Worse or much worse	50%	60%	54%	51%	48%	41%
Same	29%	27%	30%	30%	30%	29%
Better or much better	21%	14%	16%	19%	22%	30%

Source: Instituto Nacional de Estatística, *Inquérito aos Agregados Familiares Sobre Orçamento Familiar 2002-03, Quadros Definitivos*, Q5.1, 2003, from IAF 2002/3

2002 and 2005, rural, previous three years

	2002	**2005**
Worse	39%	50%
Not changed	30%	32%
Better	31%	18%

Source: Source: World Bank, *Beating the odds …,* 2007 Table 4.15, from TIAs 2002 and 2005

Finally, it is useful to look a how people assess their own economic status. Table 4 draws on four different surveys, and shows a common theme – the poorest see their position worsening, while the better off see their position remaining the same or improving. These perceptions seem to match reality, and also the insecurity shown in the previous section. Also notable is how rural people saw their economic situation deteriorating in 2005 compared to 2002, which seems to reflect the changes shown in Table 2. The World Bank study admits that 'perceptions of trends in overall poverty suggest a worsening in the living standards and well-being of the poor'. It notes further that 'the continued growth after 2003 has not been trickling down to the poor' and that 'households do seem to be correctly perceiving the slowdown in income growth for the lower quintiles and higher risk of poverty.'[14]

Taken together, this shows substantial and rapidly widening differentiation. Even the World Bank warns of the danger that 'increases in inequality eat up the growth, keeping it from reaching the poor.'[15] This paper argues that has already happened. The reason for the 'paradox' cited at the beginning of this paper, that there is high GDP growth with rising malnutrition, is that growth is not trickling down to the poor. The poor are too poor to feed their children properly, and they are becoming poorer.

Above we identified three groups. The best off 7% or the rural population and their urban counterpart consistently take a very large part of the growth. The bottom half of the population are below the poverty line and their position is worsening. The rest are fighting to stay out of poverty and can make some gains.

That top 7% are, for the most part, at least comfortable. But below that, it is a differentiation of the poor – between the poor, the very poor, and the extremely poor.

The World Bank study comments that 'indicators point to a slowdown in poverty reduction. Rural income inequality seems to be growing and already high urban inequality persists, so the same high growth has less of a poverty-reducing effect. Is growth no longer pro-poor?'[16]

Is poverty falling?

This picture does not correspond to the widely quoted headline figure that the number of people living below the poverty line decreased dramatically from 69% in 1997 to 54% in 2003. This headline figure is used by ministers and donors alike to prove that although Mozambique remains

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[14] World Bank, *Beating the Odds …*, 2007, ¶ 1.43. 1.46, 4.23
[15] World Bank, *Beating the Odds …*, 2007, ¶ lix
[16] World Bank, *Beating the Odds …*, 2007, ¶ iv

very poor, development is taking place. Indeed the report which sets out this figure, *Poverty and Well Being in Mozambique*, argues that 'progress in reducing poverty rates has been impressive'.[17]

This figure is based on a pair of family consumption surveys (IAF, Inquérito aos Agregados Familiares) in both rural and urban areas in 1996-97 and 2002-03. The key issue here is the definition of the poverty line. To reflect the wide variations in prices and consumption patterns throughout the country, a different poverty line was defined in each of 13 different areas of the country. Research on the IAF used a 'basic needs approach' to define a food poverty line, based on the cost of the amounts of food in a typical diet needed to provide an average 2150 kilocalories per person per day, considered the 'minimum caloric requirements'.[18] For 1996-97 for each of the 13 areas, a 'food basket' was defined, which reflected what people near the poverty line actually consumed. Next, an essential non-food poverty line was established in each area by looking at the normal expenditure of people near the food poverty line. Spending by these people on clothing and other non-food items ranged from 18% of the total budget in rural areas to 32% in some urban areas. Food and non-food were then combined to give a poverty line for each of the 13 areas. With those poverty lines, 69% of the population, 11.2 million people, were below the poverty line.

For the 2002-3 survey, the obvious choice was to use the same food basket and the same percentage non-food spending. If this is done, the share of people below the poverty line fell from 69% to 63%. Because of population increases, the number of people in poverty had actually increased from 11.2 million to 11.7 million. We will argue below that this is the correct figure.

But the cost of the food bundle had more than doubled in most parts of the country, and this was well above the official inflation rate of 77%. Further, the researchers argue that, in reality, poor people will switch, for example substituting cheaper cassava for more expensive maize, in order to reduce their food costs. So they use the survey data from 2002-03 to see what people near the poverty line actually bought and ate. Combined with some quite complex statistical methods, they create 'flexible food bundles' which involve some degree of switching to cheaper foods. If this is used instead of the 'fixed food bundles', then the fall of the number of people below is poverty line is dramatic, from 69% to 54%. With the fixed food bundle, the decreases in poverty are entirely rural and mainly in Sofala and Tete provinces. With the flexible bundle, poverty falls in both rural and urban areas and in Zambezia as well as Sofala and Tete. Interestingly, with flexible bundle, poverty increases significantly in Maputo city and province. Despite population increases, with the

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[17] Cláudio Massingarela et al, *Poverty and Well Being in Mozambique: The Second National Assessment (2002-2003);* Maputo: Ministry of Planning and Finance, International Good Policy Research Institute, Purdue University, 2004, p v.

[18] Cládio Massingarela et al, *Poverty and Well-being in Mozambique: The Second National Assessment (2002-2003)*, p6; Sergio Cassamo et al, *Understanding Poverty and Well-Being in Mozambique: The First National Assessment (1996-97)*, Maputo: Ministry of Planning and Finance, Eduardo Mondlane University, International Food Policy Research Institute, 1998, p 19

flexible bundle, the number of impoverished people had decreased from 11.2 million to 10.0 million.

Thus two different definitions of a poverty line food basket give two different figures, of 11.7 million or 10 million people below the poverty line.

There are certain questions about the whole system. First, there are huge differences between the poverty lines. The poverty line in Maputo is more than three times the poverty line of some rural areas. The non-food poverty line should reflect ‘essential’ non-food expenditure, but spending in rural Nampula is only one-quarter of that in urban Maputo province, which suggests some difference is what is seen as ‘essential’. Furthermore, the flexible basket leads to the average rural poverty line (excluding Maputo province) falling from 8.3 MT per day (then 35 US cents) in 1996 to 6.9 MT (then 29 US cents) in 2002. If the poverty line is 17% lower than it was six years previously, it is hardly surprising that the number of people below the poverty line has fallen by a similar amount – even if their real income has not risen.

But our objection of the flexible bundle is much more fundamental. Between the two survey dates, maize prices rose significantly while cassava prices declined[19], and the study team makes clear that ‘poor consumers opt to reduce maize flour consumption and increase cassava consumption’. In setting their food poverty line, they look only at calories and not at other nutrients.[20] The problem is that cassava is a much less nutritious food; it is a poverty food and the poorest eat proportionately more cassava and less other grains.[21] Thus, although the flexible food bundle reflects what the poor are buying, it is not of the same nutritional quality – it is not the same poverty line but a lower one. People do switch the food they buy, but they switch to lower quality food only reluctantly. This is probably one reason for the increase in chronic malnutrition, and thus for the paradox cited at the beginning.

Thus we insist that if people switch from maize to cassava, they are poorer, even if they eat the same number of calories. The much smaller fall in poverty shown by the fixed basket is a more accurate measure.

[19] Duncan Boughton, et al, ‘Changes in Rural Household Income Patterns in Mozambique, 1996-2002, and Implications for Agriculture’s Contribution to Rural Poverty’, Research Report 61, Ministry of Agriculture & Rural Development and University of Michigan, Dec 2006, p 34

[20] Cládio Massingarela et al, *Poverty and Well-being in Mozambique:*., pp 6, 10

[21] Instituto Nacional de Estatística, *Inquérito Aos Agregados Familiares Sobre Orçamento Familiar, Quadros Definitivos*, Maputo 2003. Quadro 3.9

Table 5 Structure of rural household income, 2002

	All	Quintile 1 (poorest)	Quintile 2	Quintile 3 (middle)	Quintile 4	Quintile 5 (best off)
Crop	73%	86%	85%	81%	70%	45%
Wages	9%	2%	2%	5%	11%	25%
Non-farm self-employ	15%	8%	10%	12%	16%	27%

Source: Duncan Broughton et al, 'Changes in rural household income …', 2006. Table 12 based on TAI 2002.

Table 6 Structure of household income of rural non-poor

	Escaped poverty		Stayed non-poor		Became poor	
	2002	2005	2002	2005	2002	2005
Crop	74%	47%	53%	51%	54%	70%
Wages	7%	20%	20%	20%	14%	10%
Non-farm self-employ	12%	28%	22%	24%	26%	15%

Source: World Bank, *Beating the odds …*, 2007, Table 4.22

No jobs and no bootstraps

In this section, we look at why people are poor, how some people are able to rise out of poverty, and why Mozambique's present economic policy condemns most people to deepening poverty.

Jobs and cash income are central to escaping poverty. Table 5 shows that in rural areas crops (and thus food grown for the family) account for most income for most rural people. Only in the best off 20% do wages and self-employment income account for more than half of total income.[22] And as Table 6 shows, those who escaped poverty did so through jobs and informal incomes, and those who fell back into poverty did so because of loss of that non-farm income. Government jobs are particularly important in moving up the income ladder – in 1997 38% of people with a public sector wage were in the top income quintile, but in 2002 51% of those with a public sector wage were in that top group.[23]

The World Bank study points to an increasing inequality in cash earnings and also to a fall in agricultural earnings in the 2003-6 period. It admits that many rural households 'are becoming trapped' and that 'increasing inequality has made rural poverty persistent'.[24]

Meanwhile manufacturing jobs are decreasing at the rate of an incredible 10% a year, according to the World Bank,[25] while the urban labour force is growing at 3% a year. And rural

[22] Source: Duncan Broughton et al, 'Changes in rural household income …', 2006. Table 12 based on TAI 2002.
[23] Both urban and rural. World Bank, *Beating the odds* …, 2007, Table 3.22 based on IAFs 1996/7 and 2002/3.
[24] World Bank, *Beating the Odds* …, 2007, ¶ xv, 4.20

opportunities for work, even *ganho-ganho* day labour, are scarce, 'because only a few people are well enough off to employ workers.'

The issue of insecurity come into play here. Households try to diversify their sources of income, and the non-poor have about 25% of their income from non-farm self-employment and 20% from wage labour, compared to 13% and 10% for the poor. But as Table 6 shows, those who fell into poverty started at the same level as others above the poverty line but lost that extra income. As the World Bank study comments, 'because self-employment is risky, only a middle class income household may be able to enter this market'.[26]

Cash cropping, particularly of tobacco, has been an important route out of poverty for tens of thousands of families, particularly in Tete and Niassa. Tobacco has become Mozambique's largest agricultural export. About 75,000 families produce tobacco profitably, but an equal number do not make a profit.[27] Like self-employment and wage income, cash cropping can be quite insecure.

Three studies on the ground in Nampula underline two points that seem to come from national data and from opinion surveys – the very wide stratification in rural areas, and that it is the relatively better off who have been able to pull themselves out of poverty, while the rural majority have not been able to do so. They points to a reason – the very nature of extreme poverty makes it hard to move out of poverty.

A study in 2005 by Cruzeiro do Sul of three villages – one each in Niassa, Cabo Delgado and Nampula – came to the surprising conclusion that villages with more infrastructure such as roads, schools, and health facilities were not richer than those with less. 'Development strategies based on infrastructure are not sufficient to develop villages,' concludes the study.[28] There was sharp differentiation within the villages, with the best off fifth of the families having more than 60 times the assets of the poorest fifth. In all three villages the best off families regularly sold some agricultural produce and did some artisanal production, typically of traditional drinks and sunflower oil. They hired local people to do day labour (*ganho-ganho*). Finally, they have more links outside the village.

Cruzeiro do Sul looked at 'coping strategies' – how people deal with risk and crises – and found that the better off use strategies of 'self protection' while the poorest 'depend more on social relationships'. The better off sell animals (goats, pigs, chickens) or make drinks or oil. By contrast,

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[25] World Bank, *Beating the Odds …*, 2007, ¶ ix, 2.32
[26] World Bank, *Beating the Odds …*, 2007, ¶ 3.51
[27] Rui Benfica, et al, 'The Economics of Smallholder Households in Tobacco and Cotton Growing Areas of the Zambezi Valley of Mozambique', Maputo: Ministry of Agriculture and Michigan State University, Research Report 59E, 2005,
[28] *Análise Multidimensional da Pobreza em Três Aldeias do Norte de Moçambique*, Maputo: Cruzeiro do Sul, 2006, p43

the poorest ‘look to other individuals to solve their problems’. The poor depend on social networks, particularly clan and family. But this, in turn, means the very limited resources of the poor are used for immediate needs and to resolve problems of people in the social network. Thus, because what little surplus one has must be shared with others in the group, clan or social network, there is nothing left to be productively invested. By contrast, the better off also use their coping strategies and contacts outside the village as development strategies. Indeed, the main conclusion of the report is that it is only links outside the community that help the rural family to move out of poverty.

Studies by Care in Nampula province find similar results. A 2003 survey of 600 households found that only 12% were in peasant associations, and that the better off tend to join the groups. Membership of the group then further raises income through adoption of new crops and further accumulation of assets. [29]

A series of studies of the impact of electrification in Ribáuè and Iapala in 1997, 2001 and 2006 show a general improvement over the decade, but that people with the greatest resources have benefited most from electricity and other changes, because they have the small amounts of money necessary to make investments. Gunilla Åkesson and Virgulino Nhate say ‘social differentiation is increasing’ and one of the biggest problems of rural families is simply lack of cash. ‘While the number of necessities that can only be satisfied with money is increasing, the activities which generate cash are few for peasant families.’ [30]

Finally, electricity increases the attractiveness of towns and increases differences between town and country. Commercial activity is increasingly concentrated in the towns, in part because rural people do not have cash. In another study, of Mecanhelas district in neighbouring Niassa, Åkesson and Nhate found development tended to occur in the district centre. Established commercial agents are withdrawing from rural areas, the rural-urban gap is widening, and the poor feel they are getting poorer’.[31]

Thus we see substantial and increasing differentiation. The better off have more outside connections – through associations, jobs and outside the village – and they use these to increase income. The better off are also able to use assets as insurance, to obtain cash to invest, and to take risks on cash crops and informal and self-employment activities. By contrast, the poor are

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[29] Martin Whiteside and Filipa Gouveia, ‘The Role of Groups and Associations in Agricultural Livelihood Development in Northern Mozambique – Experience from CARE Programmes’, Nampula: CARE International in Mozambique, 2003

[30] Gunilla Åkesson and Virgulino Nhate, ‘Estudo Sócio-Económico e do Impacto na Pobreza do Projecto de Electrificação Rural Ribáuè/Iapala, Nampula, Mozambique, Maputo: Embassy of Sweden, 2006.

[31] Gunilla Åkesson and Virgulino Nhate, ‘Rapid Poverty Assessment – Niassa, Mozambique’, Maputo: Embassy of Sweden, 2005.

dependent on close social relationships and are unable to accumulate assets, so slip further into poverty. Growth is increasingly concentrated in towns.

Mozambique's development strategy over the past decade has increasingly been to build human capital (especially health and education, prioritising the Millennium Development Goals) and infrastructure (roads and electricity). Actual economic development is to be left to the private sector, and especially foreign investors. There have been some successes, such as tobacco. And clearly human capital and infrastructure is essential for development. But it is not enough.

A key problem of the neo-liberal model of the World Bank and IMF and adopted by Mozambique is that risk is shifted down to the lowest level. Peasants are expected to buy inputs and seeds and to store crops from one season to the next until the price is higher. It is always assumed that people will earn money through self-employment and the informal sector – in other words, pull themselves up by their bootstraps[32] – and accept all the risk. What this paper argues is that the poorest half of the population is too poor to feed its children and therefore much too poor to carry all the risk of development. The people who fell back into poverty did so largely because they took risks and failed, and/or because of a shock such as ill health. The poor do not have bootstraps with which to pull themselves out of poverty.

The one success, tobacco, is important precisely because it involves a foreign company sharing the risk – providing inputs and extension services on credit and guaranteeing a market. But with the demise of marketing boards, cotton and sugar are the only significant schemes following this model. As well as not taking any of the risk from the peasant farmer, a key problem is that Mozambique government has never (until this year) set job creation as a priority, so that teenagers are now leaving school and finding there are no jobs. This year President Armando Guebuza has instructed that the 7 million meticais being given to each district should be for job creation and food production – the first time these two have been given such prominence. But money, alone, is not enough. There needs to be a package of agricultural and business extension, to help people to learn to be entrepreneurs. Few peasants grow tobacco commercially on their own; it requires several years of support from the tobacco company, and still half of peasants fail. All new businesses and new crops will require similar support.

[32] A 'bootstrap' is a loop of leather at the top of a boot to help to pull the boot on. Therefore, to 'pull yourself up by your bootstraps' is a literally impossible task of levitation. In the 1785 book by Rudolf Erich Raspe, *The Surprising Adventures of Baron Munchhausen*, as well as riding cannonballs, travelling to the Moon, and escaping from a swamp by pulling himself up by his own hair, he pulled himself out of a 16 metre deep hole simply by pulling on his own bootstraps. But something that was once an example of impossibility has come to be seen as praise for self-help -- and also a phrase for starting a computer, as in 'booting' the computer.

Much more emphasis will need to be put on promoting commercial agriculture – for urban food, export crops, and job creation. If nothing is done, young people with a basic education will go to towns and join an increasingly unproductive informal sector.

The other problem for the poor is a simple lack of money. There is a lack of demand in poor rural and urban areas; people do not produce and sell because no one has money to buy. Indeed, the World Bank even suggests that 'Mozambique may wish to consider rural public works schemes to expand opportunities for the poorest farmers who cannot break out of the subsistence trap' which would also have 'indirect effects of increased effective local demand'.[33] This could be done, for example, with more labour intensive road building, hiring people to build small dams, and other public works.

The key point is that the government must intervene directly to promote economic growth and development, and cannot simply sit back and wait for a private sector which does not exist. Human capital and infrastructure are necessary but not sufficient. I go into more detail on this in the book, *Há mais Bicicletas - mas há Desenvolvimento?* to be published next year.

What this paper has tried to show is that poverty is increasing and deepening. Half of the Mozambican population is so poor that they cannot feed their children, which is why chronic malnutrition is increasing. The people have no assets and no linkages and cannot make use of the free market and infrastructure being constructed. They have no bootstraps.

At the other end is a group of perhaps 7% to 15% of the population which already has assets and jobs and can take advantage of the free market to improve itself. As Figure 1 shows , most gains are already going to this group, as it races ahead and rapidly widens the gap between itself and the poor.

And caught in the middle are an insecure group, rising and falling according to the vagaries of health and the market, and desperately trying to stay out of poverty.

So there is a lot of change. Some people are much better off, and some rise while others fall. But for half the population, poverty is deepening, and they are not benefiting from the record GDP growth rates.

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[33] World Bank, *Beating the Odds* …, 2007, ¶ lix, 4.16

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