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SUMMARY

Mozambique has presented a draft second plan for reduction of absolute poverty (PARPA II) covering the period 2006-2009. This period coincides with the period for the Ministry of Agriculture (MINAG) strategy for the agriculture sector (ProAgri II). The task in this desk study has been to assess these two strategies with emphasis on PARPA II.

Mozambique has demonstrated a very strong performance in terms of overall economic growth as well as poverty reduction. In the period 1996/7-2002/3 the average annual GDP growth exceeded 8% in real terms. In the same period the incidence of poverty fell from 69.4% to 54.1%. The reduction in poverty was closely linked to GDP growth, as growth was broad based and high in almost all sectors of the economy. PARPA II foresees a continued GDP growth at the same level and a reduction of poverty almost equal to that in PARPA II.

This is a highly optimistic outlook, which hardly is supported by a sufficiently thorough analysis of the experience in the past and the challenges ahead. This conclusion is based on two observations. Firstly, the significance of smallholder, predominantly subsistence oriented, agriculture as a source of economic growth and poverty reduction is not adequately reflected in the strategy. The agriculture sector is totally dominated by smallholders. The sector grew at an annual average of 5.2% 1996/7-2002/3, was the largest contributor to GDP and contributed with 11 percentage points out of a total of 15 to poverty reduction. **The implied conclusion that the targeted GDP growth rate and the poverty reduction rate in particular can only be achieved, if smallholder agriculture continues to grow at a significant rate, is not the starting point for strategy formulation in PARPA II.**

The second observation is that the growth in smallholder production in the past decade was largely a result of a re-establishment of low productive subsistence production to a pre-war level. The area under cultivation increased significantly. This has been termed a “bounce back” effect and a one-time gain in production that cannot be repeated. To raise production further is an altogether different and far more difficult task.

Neither PRPAII nor ProAgri II provides a convincing strategy for solving this task. A general prescription related to financial services, improved technology, extension, market access and small-scale agribusiness development is made. How this is to be translated into effective action on a wide scale is the crucial issue. The question “how?” remains largely unanswered

Both PARPA II and ProAgri II emphasises the importance of the commercial farming sector, including the large-scale producers. Major investment in support of the commercial sector is deemed necessary. However, a convincing argument how this is to pull large numbers of poor subsistence farmers into commercial farming is not presented. The growth of commercial farming will not by itself make a significant contribution to GDP growth and is of marginal relevance for poverty reduction. The political leverage, which larger farmers can exercise, and the fact that it is easier to identify concrete and feasible support measures for farmers geared to production for the market than for subsistence farmers is likely to tilt priorities in favour of this category of farmers. The bi-modal structure of agriculture in Mozambique will be reinforced. Rather conclusive evidence suggests that such a development is to the detriment of the poor. They are left behind.

I INTRODUCTION

Mozambique is widely regarded as a success story. After a devastating war, progress has been remarkable in many fields. Reconciliation between former antagonists has been achieved and peace and stability characterise life again. The economy has made a strong recovery growing at an average rate of some 8% in real terms over the past several years. Macroeconomic stability has been achieved, investments have been high and export earnings have increased drastically. Broad based growth has resulted in significant poverty reduction. The share of the population below the (national) poverty line fell from 69.4% in 1996/97 to 54.1% in 2002/03, a reduction with 15.3 percentage points.

With some prudent reservations the GOM as well as important institutions such as the World Bank argue that the achievements in past years hold out promises for continued successes in the future.¹ The GOM analysis and ambitions in terms of growth and poverty reduction are contained in the Plano de Accao par a Reducao da Pobreza Absoluta, 2006-2009 (PARPA II).

This report is the result of a desk study, which attempts to discuss the content of PARPA II with a focus on the relevance of the poverty analysis as a basis for the proposed strategy in PARPA II and the effectiveness of this strategy. Part of this assessment is to determine to what extent NR based activities are important for economic growth and poverty reduction in Mozambique. The task also includes a comparison of the consistency between PARPA II and the PROAGRI Strategy. For the complete ToR see annex 1. A list of documents reviewed or consulted is given in annex 2.

II THE RELEVANCE OF THE POVERTY ANALYSIS IN PARPA II

1 Introduction

PARPA II does not contain a poverty analysis in the sense that the nature and the causes to poverty are the focus of the analysis. Rather the achievements in terms of growth and poverty reduction over the past years are presented and discussed. This approach provides valuable insights that can be used to inform the formulation of a strategy. However, such an approach needs to be analytical rather descriptive in order to be useful. Primarily this implies that strategic implications are inferred from what is described. Furthermore, strategy formulation based on historic evidence needs to be complemented with input from an analysis of changes in the determinants to growth and poverty reduction that the development process itself may have brought about as well as a discussion of assumptions regarding determinants in the future.

As will be illustrated in the following, PARPA II is not entirely satisfactory on these accounts; it is largely descriptive, the strategy does not fully reflect what can be inferred from evidence in the past and there are limitations in terms of taking changes in the determinants to growth and poverty reduction into account.

¹ See World Bank, Mozambique Country Economic Memorandum, 2005.

2 The poverty concept in PARPA II

PARPA II recognises the multi-dimensional nature of poverty. It is explicitly emphasised that poverty is more than income poverty, and information is provided on a range of non-economic welfare variables. PARPA II presents its own definition of poverty, which in its English translation, at least, is not entirely clear but seems to focus on lack of opportunities and ability (power?).

A substantial section is devoted to a discussion of different methods to measure poverty. As a measure of material well-being, consumption rather than income is used, and the reasons for this choice are given. Further more, a (consumption) poverty line for Mozambique is defined.

PARPA II was formulated through an ambitious process of consultations and analyses in thematic working groups. The only limitation, but admittedly a rather serious one, is that small-scale farmers were not extensively involved.

The analysis in PARPA II relies heavily on the different analyses that have been made on data from two national household surveys, the first in 1996/7 and the second in 2002/3. This means that the data are somewhat outdated. It also means that claims on achievements under PARPA I with reference to material based on the households surveys, which is frequently made, is not entirely accurate. This does not seem to have had any significance for the analysis, however.

3 The presentation and interpretation of past performance in terms of growth and poverty reduction in PARPA II

The PARPA II document emphasises the strong link between overall economic growth and poverty reduction and argues that the factors that have determined high growth rates also determined the reduction in poverty. During the period 1996/97 and 2002/03 the economy grew at an average annual rate of 8% (in real terms). In the same period the incidence of (economic/consumption) poverty declined from 69.4% to 54.1%². Although put differently in the document, it is rightly argued that this favourable outcome was the result of broad based growth embracing almost all sectors³.

It is implicitly acknowledged that the contribution from the mega-projects to GDP growth is of limited relevance to poverty alleviation by excluding this contribution (1.6 percentage points) when presenting achievements⁴. At the same time it means that the rest of the economy grew and a good but less spectacular rate of 6.4 %.

The most important causes to the high rate of GDP growth are said to be the recovery of the economy from a very low level caused by the war; massive inflow of external funding⁵; HPIC

² A poverty rate of 54.1% is equivalent to a rate of 29% living on less than one USD per day. Source: World Bank, CEM, p.3.

³ PARPA II, page 68.

⁴ Ibid. p. 22. The mega-projects are the Mozal aluminium company, the Cabora Bassa hydroelectric plant and the Sasol gas project.

⁵ In addition to large-scale private investment, notably in the mega-projects Mozambique has received ODA that has varied between 500-700 million USD in the period 1997 - 2003. This has given Mozambique an ODA per capital which is double that of the average for SSA countries. Source: World Bank CEM, p.23.

– based debt reduction; farmer response; heavy investment in infrastructure as well as in health and education facilities and services.⁶

There is only limited elaboration on the growth pattern in the agriculture sector in the PARPA II document. However, note is taken of the fact that growth was primarily a result of expansion of the area under cultivation and increased labour input.

In addition to information on improvements in consumption, improvements in material well being is further substantiated by providing statistics on possessions of *durable goods* such as bicycle, radio, watch and improvement of housing.

NARPA II provides information on improvement or deterioration *on 35 variables* grouped under the headings consumption, health, education, access to public goods and services and access to private goods and services disaggregated on provinces. An improvement is measured with a plus sign (+) and deterioration with a minus sign (-). This means that direction of change but not level is indicated.

Overall the country recorded an improvement in 87.5% of the 35 *welfare indicators* with considerable differences between provinces. The nature of the data makes it difficult to draw conclusions from inter-province comparisons, which PARPA refrains from doing other than in general terms. The reason is that comparisons of (non-quantified) *change* are of limited interest as long as the *levels* are not indicated. For instance, if an improvement is recorded in access to drinking water in one province and deterioration in access is recorded for another province, this does not necessarily say anything about the situation in terms of access in the two provinces. In fact a deterioration of access to drinking water is reported for Maputo City, whereas an improvement is reported for all provinces. Yet the situation is likely to be far superior in Maputo compared to that in several (all?) provinces.⁷

Note is also taken of the *geographical distribution* of (income/consumption) poverty by providing data on incidence levels in 1966/7 and 2002/3 at province level.

Likewise data is provided on the level and change of *inequality* in the development process. Also this information is given at provincial and level. The recorded increase in inequality is rather small, except in Maputo. This observation is elaborated into a discussion of the problem with corruption and an urban-based bourgeoisie enriching themselves.

Under the heading crosscutting issues the seriousness of *HIV/AIDS* is discussed noting (i) a very high incidence rate (16%), (ii) a higher incidence rate among women and a higher incidence among poor people. It is noted that “the impact on the economy is starting be felt through the reduction of the human capital, the drop in productivity levels and the ensuing slowdown in economic growth”.

The gist of the discussion *of gender* can be summarised in the following quotation.

⁶ Other sources make the same assessment of causes – e.g. World Bank Economic Memorandum, 2005. In addition the Bank stresses the importance of economic policy reform and successful macro-economic management.

⁷ If the basic data also provide information of levels, a most interesting analysis of the spatial distribution(of a wide range of welfare indicators could be made. Evidence from other countries suggests that there is only partial correlation between such indicators; for instance one area may score well on income but poor on nutrition.

“The evidence of the relationship between gender inequality, poverty and economic efficiency is increasingly clearer in Mozambique. The high levels of illiteracy amongst women, standing at 71.3% compared to 43% amongst men, and the greater incidence of poverty in the family households headed by women; the lack of decision-making power as a result of social and cultural factors coupled with weak economic power as decisive factors leading to a higher HIV/AIDS prevalence amongst women apart from depriving the society from the use of the productive potential of the majority of the population that gets overburdened with its ensuing consequences.”

In the analysis it is recognised that the growth in the past several years shows signs of being “unsustainable and inconsistent”. Export growth, when excluding exports by the mega-projects, was very modest (2.4% p.a.). The growth of the formal sector, again excluding the mega-projects, was stagnant. It is also argued that “market forces and the private sector alone proved unable to (i) ensure the dynamic and articulated growth in agricultural production, (ii) the development of small and medium size producers, (iii) the reduction of the real interest rates and the increase in the credit to the economy, (iv) of ensuring the process of industrialization and (v) integration into the SADC and the international markets “. In other words, market based and private sector driven growth has failed to take off.

One section in the PARPA II document has the headline “causes of poverty”. In that section there are two paragraphs. The first paragraph gives a reference to a regression analysis on the household survey data.

The second paragraph reads:

“The results of the analysis point to the following as the most relevant causes of poverty in Mozambique in 2002-03:

- a) low level of education within the family household*
- b) high levels of dependency within the family household; and*
- c) low return of the economic activity carried out in agriculture and industry, compared to trade and services.”*

There is no further comment or discussion of these results from the regression analysis.

The main problem with the presentation of past performance in PARPA II is that conditions and change are described, often in an interesting and useful way, but the presentation is hardly analytical and strategic conclusions are rare.

The summary of the presentation in PARPA II of achievements in terms of economic growth and poverty reduction in the preceding paragraphs hardly makes justice to the PARPA document. However, it is claimed to fairly well reflect the issues that are addressed and how.

4 What could have been elaborated further?

It seems that a number of aspects, which have a bearing on strategy formulation, could have been added or elaborated further as a complement to the useful information provided in the PARPA II document. Furthermore, it seems possible to draw more explicit strategic

conclusions on the basis of such information. In the following sections an attempt will be made to demonstrate what that might have involved.

4.1 The sources of GDP growth

One aspect that would benefit from further elaboration is how different sectors have contributed to GDP growth.

The growth in different sectors of an economy will contribute to overall growth as a result of *the level* of sector growth and *the size* of the sector (measured as a share of GDP). This means, for instance, that a sector can grow at a slower rate than another sector and still give a larger contribution to overall growth as long as the slow growing sector is large enough.

This is often the case in Sida's partner countries where sectors such as services, transport and construction typically grow at a considerably higher rate than the agriculture sector. However, the agriculture sector gives a larger contribution to overall growth for the simple reason of its size in the economy.

This is also the case in Mozambique. The following table gives growth rates by sector and sector contribution to overall GDP for selected sectors.

Gross domestic product by sector: real growth rates (percent)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	Mean 95-03	Contri- bution
Overall GDP	3.3	6.8	11.1	12.6	7.5	1.9	13.1	8.2	7.8	8.6	8.7
Agriculture	17.0	8.7	9.5	9.5	6.5	-13.1	10.6	12.1	9.0	5.2	1.69
Commerce	-0.3	-1.0	8.3	12.1	2.5	3.2	17.6	4.6	4.6	7.0	1.15
Tsp and communication	11.1	10.1	17.3	4.8	9.0	2.6	6.9	8.4	14.4	8.2	1.00
Construction	19.0	24.0	18.1	26.2	3.4	13.0	6.7	10.8	7.0	12.8	0.86
Manufacturing:											
Excl. mega-projects	7.8	18.9	31.8	14.4	14.7	1.9	0.4	0.7	4.3	9.9	0.81
(Incl. mega-projects)	(7.8)	(18.9)	(31.8)	(14.4)	(14.7)	(15.1)	(34.7)	(8.7)	(13.6)	(18.9)	(2.27)
Source: Instituto de Estatistica, Mozambique website											

In falling order of importance the table shows the contribution to GDP growth of the five most important sectors.

The key piece of information in this table is the importance of the agriculture sector. Despite the fact that the growth rate of the agricultural sector was lower than in the other sectors, the contribution to GDP from agriculture was by far largest due to the size of the sector.

The impact of the much-debated mega-projects on growth is also clear from this table. Their contribution to the GDP growth rate was 1.6 percentage points. If the mega-projects are

excluded, the contribution of the manufacturing sector to overall growth was only 0.81 percentage points.⁸

As we will see in the next section, the reason for excluding these projects in the analysis in a poverty reduction strategy is that they have virtually no impact on poverty.⁹

If we were to summarise the discussion of sources of GDP growth, **the strategic conclusion** is the outstanding significance of the agriculture sector for overall growth at this stage of development. This strategic conclusion is not drawn in PARPA II.

4.2 *The sources of agriculture growth*

PARPA II points out that the main sources of agriculture growth have been an expansion of the cultivated area and an increase in labour input. It is also pointed out that the growth by and large has been a growth in staple food production, notably maize. As a basis for strategy formulation it may be useful to pursue this analysis a bit further. To pre-empt a reasonable objection it should be made clear that a document such as PARPA II is not expected to elaborate an agriculture strategy or any other sector strategy. What one can expect, however, is that the analysis at sector level is carried to a point where important strategic issues surface.

This will be attempted here by briefly addressing the following.

- Agrarian structure, growth and poverty reduction.
- Potentials and threshold constraints in smallholder production.
- Regional differences in potential and development trends.

Agrarian structure

Farming in Mozambique is totally dominated by smallholder production. Some 3 million farm households constitute 99% of the farming community and cultivate 95 % of the total cultivated area. The average farm size is 1.4 ha. Some 10,000 medium sized farms of 5.0 ha on average make up 0.2 % and a mere 400 large-scale farms of 280 ha on average cultivate around 5 % of the total area. Some 70% of the entire population have agriculture as their main occupation. Therefore **no significant increase in output and no significant reduction in poverty can be achieved unless focus and priority is directed to the small-scale agriculture producers.**

⁸ Between 1998 and 2002 these projects increased their share of the GDP from zero to 7%. Their contribution to the GDP growth rate in that period was 1.6% points. From 2001 when production came on line, the mega-projects account for nearly 2/3 of total exports. Traditional exports grew at a very modest annual rate of 2.3%.

⁹ This statement needs to be qualified, as the mega-projects potentially can have a negative impact. The huge foreign exchange earnings of in these projects (more than 1 billion USD annually) could cause the “Dutch disease” and push up the (floating) exchange rate. This would make imports cheaper, including agriculture, imports, which would depress prices paid to farmers. According to a World Bank analysis this has not happened, as the real effective exchange rate has remained stable (World Bank, Country Economic Memorandum, p 9). A fair guess is that the “Dutch disease” has been avoided because the foreign project owners have repatriated most of their foreign exchange earnings. However, this is an issue that should be monitored.

PARPA II does not draw this conclusion. The arguments related to the importance of NR based activities refer to “agriculture”, in general, without indicating any priority in terms of agrarian structure. This will be further commented upon below.

Potentials and threshold constraints in small-holder production

A recovery of smallholder subsistence food crop production through an expansion of the area under cultivation and a higher level of labour input mainly explain the growth of the agriculture sector with an average of 5.2 % per annum during the period 1996/7 and 2002/3. The area under cultivation grew with 3.3% annually during the period 1992-2001 and the labour input with 1.7%. This means that growth in production was primarily a result of increased input of production factors and not a result of (land) productivity gains.

The increase in factor inputs was particularly large in the Center with an annual area expansion of 7% and an increase in labour input with 4%. These facts largely explain the outstanding performance of the Center in terms of growth in production and poverty reduction.

In this period of strong growth in agriculture production, there was little increase in market integration and in the use of productivity enhancing inputs. Only some 20% of the farmers sell any of their produce. Fertiliser use is negligible. Around 90% of the farmers prepare their land by hoe. It is true that crop diversification has increased and that smallholder production of tobacco in particular has increased considerably. This does not alter the general picture, however. Mozambique agriculture remains predominantly subsistence oriented characterised by a very low productivity of land and low and declining labour productivity.

The strong performance of the agriculture sector in the past decade was largely a recovery from the extremely low level brought about by the war to a pre-war level. The development in this period was a re-establishment of low productive subsistence production to a pre-war scale. This has been referred to as a “bounce back” effect and there is a consensus that the nature of growth experienced in this period is unsustainable. The decline in the rate of growth in the last few years bears witness to this. To recover production levels with well known and previously applied technology was “the easy part”. Now this “option” is largely exhausted. The “difficult part” comes when the present low productive subsistence agriculture is to be transformed for market integration. Global experience bears witness to the difficulties involved and the time it takes to achieve broad based transformation to market production. Hence past trends of production increase cannot simply be extrapolated into the future.

The PARPA II document does not address this issue.

The strategic conclusion is that growth in smallholder agriculture production, which is basic for GDP growth and poverty reduction, will not be as easy as in the past decade and will require conscious, well designed, major and persistent efforts targeted on smallholders. This conclusion is not drawn in the PARPA II document.

Regional differences in resource endowment and agro-climatic conditions

There is no need to elaborate on the notable differences in preconditions for agriculture development that characterise different regions. These differences influence the growth

potential in the sector apart from influencing the type of agriculture activities that are suitable in different regions.

Such differences should be considered in a strategy for growth and poverty reduction when it comes to resource allocation (e.g. for infrastructure investments) and selection of region-specific measures aimed at creating conducive conditions for the economic activities that have the highest growth and poverty reduction potential. Such activities will not be limited to agriculture activities. For instance, in the South it may be equally or more important to focus at developing non-farm sources of income. Such strategic considerations are missing in the PARPA II document.

4.3 Sources of income and the informal economy

Some 70 % of all rural households have at least one non-crop source of income. (Income includes income in kind as well as cash income).¹⁰ By far the most important type of non-farm income (in Mozambique) is various natural resource extraction activities such as fuel wood collection, collection of wild animals and plants, harvesting of woody perennial grass and fishing. Only 16% of the rural households employ labour at any time, which means that this source of income is rather limited. The structure and level of the rural economy does not provide much opportunity in sectors such as trade and services. Nonetheless households engaged in these sectors increased from a very low 1.9% to no more than 5.9% between 1996/7 and 2002/3.

There are notable regional and gender differences in terms of sources and importance of non-farm income that need not be elaborated here but which seem relevant in policy and strategy formulation. The significance of non-farm income in poverty-stricken urban areas is a case in point.

Non-farm income is more important for the somewhat better off, and positively correlated to the level of education and the asset base. Likewise, non-farm sources of income are of increasing importance in people's livelihood strategies. Hence, strategies for improvement of material well-being in rural areas can no longer only consider the potential in agriculture. This point is made very strongly in the draft RD strategy.

Rural non-farm activities typically take place in the informal economy. PARPA II makes hardly any reference to farmers' multiple sources of income and the importance of non-farm income. Hardly surprising this dimension is missing in the strategic framework. The existence of an informal sector is ignored and all suggestions related to PSD refer to formal sector development.

The strategic conclusion is that a strategy for growth and poverty reduction has to reflect the importance of different sources of income and the existence of an important informal sector. PARPA II does not.

¹⁰ The information in this section is largely taken from the MADER research paper, Determinants to Rural Income, Poverty and Perceived Well-Being in Mozambique 2001-2002.

4.4 Growth and poverty reduction

In order to guide policy and strategy formulation it might be useful to carry the analysis of patterns of poverty reduction as well as the growth-poverty linkage beyond what is done in the PARPA II document. An attempt to suggest what that may involve will be made under four headings.

- 1) Sector contribution to poverty reduction;
- 2) Regional pattern in poverty reduction;
- 3) Gender and HIV/AIDS;
- 4) Causes to poverty reduction.

Sector contribution to poverty reduction

It would seem useful to make the contribution of different sectors to poverty reduction explicit. This is possible as the necessary analytical work has already been done and published.

The following table, which is reproduced from the World Bank Country Economic Memorandum, gives information on the extent to which different sectors and different areas contributed to the overall reduction in (income/consumption) poverty in the period 1996/7 to 2002/3.

Decomposing poverty changes (geographical and sector dimensions)

Poverty in 1996 (%)	69	<i>Sector contributions</i>	(%)
Poverty in 2002 (%)	54	Agriculture	-11.0
Total change in poverty 1996-2002 (%) -15		Industry	- 0.7
		Services 1	- 0.9
		Services 2	- 0.8
<i>Regional decomposition</i>	(%)	<i>Urban-rural contribution</i>	(%)
Change in poverty in the North	-3.4	Urban areas	- 2.5
Change in poverty in the Center -12.0		Rural areas	- 13.0
Change in poverty in the South	0.2		
<i>Note:</i> Individuals are assigned to the sector where the household head is employed. 'Service 1' includes trade, transport and services; 'service 2' includes health, education, and public administration.			
*The decomposition also allows for population shifts and an interaction factor. As these are small they are not reported.			

Three observations on the data in the table are of particular importance:

- 1) Overall poverty reduction is largely explained by a reduction in **rural areas**.
- 2) Poverty reduction is largely a result of progress in the **agriculture sector**. Out of the total reduction of 15 percentage points the agriculture sector contributed no less than 11.
- 3) Developments in the **central region** of the country contributed by far the largest share to the reduction of poverty.

Observation 1) and 2) are obviously two sides of the same coin. Some 73 % of the population live in rural areas and some 80% get the bulk of their income from agriculture.¹¹ Given the agrarian structure discussed earlier in this section, we can also conclude that the production gains are largely achieved in smallholder production.

These observations would seem to have far-reaching strategic consequences as will be discussed further on.

Regional pattern in poverty reduction

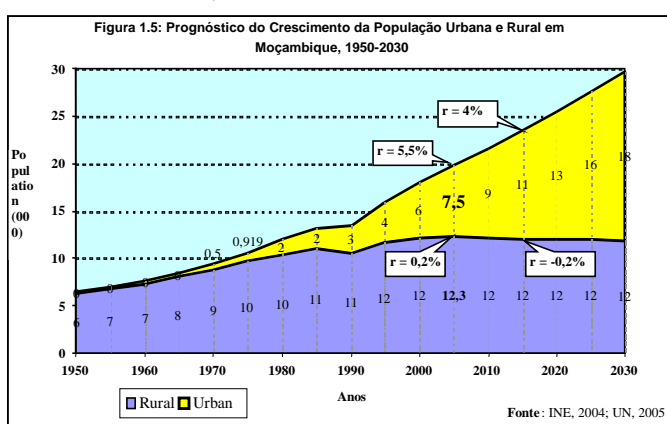
The PARPA II document provides more elaborate information on the regional pattern of poverty reduction than on sector contribution to poverty reduction. There is a table showing the change in the incidence of poverty on a provincial level between 1996/7 and 2002/3.¹² Reference is also made to a study made by MFP et al. (2004) entitled Poverty Evaluation in which the evolution of poverty per province is explained.

Understandably the information from that study is not reproduced or even summarised. However, one would think that the conclusions from such an analysis could provide information that would be useful in designing a strategy for poverty reduction such as PARPA.

I do not have the knowledge or data to suggest more specifically what a regional dimension to the analysis could lead to. However, just to *exemplify the type* of strategic options that *might* be relevant I take the liberty despite my ignorance to present one line of thought.

Agriculture growth and poverty reduction has been particularly significant in the central provinces where agro-climatic conditions and resource endowments are favourable. To the extent that the land frontier is not reached, one option might be to encourage rural families in unfavourable areas to move to the Center rather than assisting them where they live.

One particular observation on the regional distribution and change in poverty is the fact that poverty reduction in urban areas was limited and that poverty in fact increased in Maputo City. The development in Maputo is notably different from the development in for instance Dar es Salaam, where the reduction in the incidence of poverty has been much greater than in



other urban centres and in rural areas. Apparently Dar es Salaam has a more dynamic and expansive economy than Maputo providing income opportunities for its fast growing population.

The performance in terms of poverty reduction in urban areas should be growing concern bearing in mind the expected rapid urbanisation of Mozambique. The graph to the left shows the dramatic change in the

location of the population that can be expected in the coming decades.

¹¹ INE, 2000.

¹² PARPA II, table 2, p.13

The striking point is that the entire increase of the population in the coming decades will take place in urban areas. From 2005 to 2010 the urban population will increase with no less than 1.5 million inhabitants. This relocation of the population is likely to have significant consequences for employment patterns, sources of income and poverty.¹³ This scenario and its implications are not addressed in the PARPA II document.

Gender and HIV/AIDS

Gender is discussed as a crosscutting issue in the PARPA II document. It is a general discussion providing few insights on gender-growth-poverty reduction. This is a weakness of the strategy, as there is a wide range of gender related dimensions that ought to be reflected in a strategy for poverty reduction¹⁴. Just the fact that some 25% of all households are women-headed and that the income of such households is considerably lower than in male-headed households should have made a discussion of gender in a strategic manner imperative.

The same observation applies to the implications of the HIV/AIDS epidemic. It is treated as a crosscutting issue and discussed in rather general terms.

The prevalence of HIV/AIDS and the alarming rate of increase make this epidemic a key development concern, apart from the human tragedy it represents. Presently, as many as 16% of the adult population are infected. This can be compared with 7% for SSA as a whole. While there is a general recognition that “the impact of the epidemic on the economy is starting to be felt through the reduction of the human capital, the drop in productivity levels and the ensuing slowdown in economic growth”, there is only limited analysis of the mechanism through which this impact is mediated and of the impact in terms of poverty.

Causes to poverty reduction

As already mentioned, the causes to poverty reduction have been identified in PARPA II through a regression analysis on the data from the household surveys in 1996/7 and 2002/3. The causes are said to be poor education, high dependency rates and low productivity in agriculture and industry compared to trade and services.

This analysis has a number of limitations. Poor education may be seen as an underlying cause but the direct cause is *occupation*, not education. Education beyond a certain level opens up opportunities to salaried employment (with the government, with NGOs, etc). Such employment has significantly higher levels of remuneration than small-scale agriculture. However, as the salaried labour market is limited, education is hardly a road to broad based poverty reduction, as could be concluded from the results of the regression analysis. Interestingly, the MINAG research on determinants to income found no statistical significance of schooling on agriculture and livestock income.¹⁵ The resource base rather than education was found to be important.

The information that dependency rate and level of poverty are related does not provide much useful information on what to do without further analysis.

¹³ Draft RD strategy p.

¹⁴ Compare with the elaborate gender analysis in the ProAgri Strategy document.

¹⁵ MADER research paper, Determinants to Rural Income and Poverty, p 31.

Low productivity in agriculture is indisputably a cause to poverty. However, micro data from eight countries in SSA (not including Mozambique) consistently show that yield levels differ only modestly between poor subsistence producers and somewhat better off farmers.¹⁶ In Mozambique these would be termed medium scale farms. The difference in production, which the study found to be substantial, is rather the result of a larger area under cultivation. There are no reasons to expect that the pattern would be different in Mozambique.¹⁷

As there is hardly any reason to expect that yields vary between poor and better-off farmers more in Mozambique. If that is the case also in Mozambique, the cause for poverty could equally well be seen as “limited areas under cultivation” (at farm level) as “low yields” or “low productivity”. As the land frontier is far from reached in many areas in Mozambique, a strategic option to be considered would be increase in farm size. This would primarily mean to remove the constraint on land preparation, which largely is made by hoe.

The information at my disposal does not permit me to make even an attempt on a proper analysis of the causes to poverty. However, such an analysis should probably cover aspects such as HIV/AIDS, gender differences in terms of access to land, different occupational and livelihood patterns in different regions of the country, differences in resource endowments, infrastructure, government services, etc. etc. Such an analysis is largely missing in PARPA II.

5 The strategic elements of PARPA II

The core of the PARPA strategy consists of three “pillars”, namely, governance, human capital and economic development. These have not been chosen on the basis of a poverty analysis. Interestingly neither is there a serious attempt to justify the choice by arguing how these pillars relate to poverty reduction. For instance, in the presentation of the governance pillar and the human capital pillar, “poverty” and “poverty reduction” are not even mentioned. In the presentation of the economic pillar, “poverty” is mentioned once.

Before proceeding, the main activity areas under each pillar will be taken note of in the following table.

<u>Pillar 1</u> Improved Governance	<u>Pillar 2</u> Human capital	<u>Pillar 3</u> Economic growth
<u>Activity areas</u> <ul style="list-style-type: none"> • Public sector reform • Justice, law and order • Democracy and local institutions (decentralisation) 	<u>Activity areas</u> <ul style="list-style-type: none"> • Education • Health 	<u>Activity areas</u> <ul style="list-style-type: none"> • Macro-economic management • Business environment • Labour market • Financial sector development • Infrastructure

¹⁶ Djurfelt et al, The African Food Crisis, 2005.

¹⁷ The MADER research paper on determinants to rural income does not provide information on yield levels for different categories of farmers. Hence, a direct comparison with study referred to above is not possible. However, the MADER research report shows a strong correlation between area cultivated and income.

Priority actions per activity area are identified and laid out on the time line for the PARPA II period with an indication of which agency or agencies that are the responsible. This is an ambitious and useful planning approach, as it attempts to go beyond principles and general guidelines.

The fact that the choice of the three pillars neither is based on a poverty analysis nor is justified by arguing through which mechanisms and to what extent they will contribute to poverty reduction may seem to be a mute point. But perhaps it is not. With the risk of being ostracised¹⁸ I will argue as follows.

With respect to the first pillar - governance

The spectacular achievements in economic growth and poverty reduction – also in non-economic dimensions – in the past decade was attained under less than satisfactory governance conditions characterised by a highly centralised and weak government structure, widespread and serious corruption as well as a malfunctioning judicial system. Apparently these conditions were not a constraint on the successes that were made.

This is not to say that improved governance is unimportant in a wider context of nation building. Furthermore, it can be argued that improved governance is essential in a strategy that emphasises the promotion of a larger and more efficient private sector and assigns a more important role to the government in providing public services (e.g. extension). Likewise, good governance will contribute to dimensions of well being such as personal security, fair and equal treatment by the state and the possibility to exert influence, even if only marginally, through democratic mechanisms.

To improve governance is a long-term undertaking and efforts in that direction need to be persistent. Implied in this argument is a caution not to expect significant or even noticeable effects on economic growth and poverty reduction in such a short time span as that of PARPA II. The process of decentralisation (deconcentration) of government administrative functions to province and district level and the concurrent relocation of staff may even reduce efficiency and effectiveness in the short run.

While governance indeed is fundamental in nation building, it seems questionable to assign this issue the strategic importance for economic growth and poverty reduction as is implied in PARPA II.

With respect to the second pillar – human capital

The second pillar, human resource development, contains two main elements, namely health and education. Whereas the PARPA II strategy indicates a shift in emphasis towards economic development compared to PARPA I, investment in health and education remain essential elements of the strategy. In addition to the value of improvements in their own right, the relationship with reduction of (income) poverty is argued.

An interesting observation in the study of determinants to rural income by MINAG is that schooling was found to have no significant effect on agriculture and livestock income but

¹⁸ In ancient Greece to be banished by the vote of the people written on potsheards (pieces of broken pottery).

clearly so on non-farm income¹⁹. This information would seem to have a bearing on strategy formulation for poverty reduction that is not reflected in the PARPA II document.

Target setting in the strategy

PAPRPA argues that a continued high level of growth is needed in order to achieve continued success in reducing poverty. A **target for GDP growth of 7%** in real terms is set for the period 2006-2009. This figure excludes the contribution to GDP from the mega-projects. These projects are expected to contribute around 1 percentage point to GDP in the period. This means that a growth rate of 7% is more or less the same rate as was achieved during PARPA I, the mega-projects excluded. On the contribution to this growth rate, PARPA II says “the sectors of agriculture, agribusiness, trade and transport play an important part in the growth, contributing to the integration of the national economy”. Any more specific analysis of expected sector contribution to growth is not presented.

The target GDP growth rate is presented with a caveat that is worth reproducing in full.

It should be pointed out that behind the growth forecast there are important assumptions namely, stability and internal and international peace; exploration of the economic potential in agriculture, agribusiness, and to a lesser extent in natural resources and tourism; the continuity of the reforms in the public sector, to improve the business climate and access to credit, in particular rural credit; better banking system and sophistication of the financial system; considerable effort in the provision and maintenance of infrastructures; support to small and medium size companies; inflow of external capital in the form of aid and investment; consolidation of external economic relations, in particular with SADC.

Alternative scenarios are presented for the expected increase in consumption and hence in the reduction of (income/consumption) poverty. The different alternatives are not a result of different GDP growth rate assumptions but different assumptions on 1) the rate of growth in consumption and, 2) how pro-poor growth is. Without further explanation, **the target for (consumption) poverty reduction is set to 45% in 2009** (a reduction from 54.1 in 2002/3).

The significance given to the economic dimension of poverty seems to be reflected in the fact that the target for reducing income/consumption poverty is stated in the very first paragraph of the document without mentioning any other dimension of poverty.

6 Is PARPA II convincing?

For reasons that will be elaborated below PARPA II is not altogether convincing as a platform for continued rapid economic growth and poverty reduction.

The key problem is that the strategy does not recognise the crucial role of small-scale agriculture and rural development more in general as a source of GDP growth and a means to poverty reduction.

¹⁹ MADER research paper, Determinants to Rural Income and Poverty, 2005

Neither is a clear priority given to agriculture, nor is a clear priority given to small-scale production. This is a consequence of overlooking both the structure of the economy and the prevailing agrarian structure.

It is perhaps instructive that the section, which lists the main challenges for support to economic development, addresses issues related to macro level factors such as macro-economic stability, government financial management, trade and regional integration, financial sector development, entrepreneur and private sector development but does not list the transformation of subsistence farming to market oriented farming on a broad scale as a challenge.

The fundamental issue how to make subsistence level farmers progress beyond re-establishing themselves at a level where labour availability, technology and access to markets and services, including financial services, have become a bundle of binding constraints is neither analysed nor addressed strategically.

And this is where the secret to growth and (income) poverty reduction primarily lies. It does not lie in the progress that a tiny minority of market oriented medium sized farmers may make. Neither does it lie in the success of a few hundred large-scale farms. Nor does it lie in the rapidly expanding tourist or mining sectors or any other sector.

At this stage of development the fact is that there is no convincing option to significant pro-poor growth but the smallholder agriculture sector.

Looking specifically at what is proposed in support of agriculture development a number of questions can be raised. In the preamble to the section on the agriculture sector it is stated that actions in the sectors are directed to (i) support small producers to..... and (ii) support commercial farmers to..... As already mentioned no priority is indicated. Support is subsequently proposed in two areas namely agrarian services and NR management (without specifying whether for small producers or commercial farmers or both). Agrarian services refer to technology development and extension. Furthermore provision of financial services and market opportunities are proposed. NR management is a matter of land titling and land administration. The latter hardly appear to be a priority issue for subsistence farmers.

This is followed by a section headed “promotion of the commercial agriculture sector”.²⁰ Action is proposed on land titling, agriculture financing, introduction of hygiene standards, and promotion (through extension?) of selected crops for the domestic and the export market.

This ambiguous stand on which category of farmers to prioritise should also be seen in the general framework of the strategy, which largely concerns itself with macro-economic issues and issues related to the development of an efficient modern private sector. There is nothing wrong in making these considerations important strategy elements. On the contrary. However, when these become the overshadowing thrust of the strategy without sufficiently clear links to the structure of the economy and the nature and distribution of poverty, then, the strategy tends to lose credibility as a strategy for poverty reduction.

²⁰ In this section it is clearly indicated that the support is for commercial farmers. From this one *could* conclude that the support suggested in the previous section – agrarian services and NR management – is intended for the small scale farmers.

The orientation of the strategy towards the commercial sector is not supported by a clear argument. As will be discussed further below, ProAgri II gives an explicit reason, rightly or wrongly, by stating that the prospects for a transformation of subsistence farmers to competitive commercial (small scale) farmers are limited in the foreseeable future.²¹

A set of preconditions that need to be met in order to make an annual GDP growth rate of 7% feasible are listed in the PARPA II document and reproduced on page 15 above. This list alone makes it safe to conclude that the target growth rate as well as the target poverty reduction rate is unrealistic. There is more than one potential killing factor in that list. And yet the recognition that success in the smallholder sector affecting large numbers of farmers is not part of the list.

These observations support the conclusion that PARPA II hardly is a convincing strategy for poverty reductions.

This is the key conclusion. In addition there are a number of other relevant but perhaps less problematic observations, which for the sake of completeness should be summarised.

- The PARPA II document notes that the coverage in providing input as well as output trading services and financial services by private sector actors is inadequate. The case for government intervention is recognised. However, with reference to the limited capacity of the government a stand seems to be taken to avoid direct interventions²². This begs an answer to the question what can be done more specifically to encourage private sector outreach. No such answer is given.
- The PARPA II document reports important regional differences in resource endowment, patterns of economic activity, growth and poverty reduction. It would seem that such information could have been a starting point for a broad strategic discussion of differentiated approaches.
- Poverty reduction also depends upon the rate of success in increasing productivity in non-farm activities. The significance of such activities in rural livelihood strategies is not recognised in the strategy and concurrently the significance of the growing informal economy is neglected.

III THE RELEVANCE OF THE AGRICULTURE SECTOR INDICATORS IN PARPA II

The ToR demands an analysis of the relevance of the indicators selected in the PARPA II document for monitoring and evaluation of developments in the agriculture sector. The analysis is made on the agriculture section of “Matrizes Operacionais”, which is an annex to PARPA II.

By way of introduction I wish to stress that it is always as difficult to formulate good indicators, as it is easy to criticise the ones proposed.

²¹ ProAgri II

²² PARPA II, para 583, p 98.

Intervention in the agriculture sector is suggested in two areas, namely, agrarian services and natural resource management. Three strategic objectives have been formulated in relation to agrarian services and one strategic objective related NR management. The three objectives on agrarian services relate to production/productivity, vulnerability and return from farming. The indicators formulated for the first two objectives are both problematic. The third objective has no indicator.

The first strategic objective on agrarian services is

“to increase agriculture productivity and production”

The impact indicator proposed is

“the increase in the average harvest up to 2009”

The indicator is hardly an impact indicator but this is a minor objection. A number of other observations are more problematic. Firstly, there is no indication of what level this average harvest is to be compared with. Secondly, it is not clear if the increment is to be measured in quantity or value and which crops that should be included. Thirdly, there is a problem that the objective focuses both on production/output and productivity. Monitoring of production levels will not tell anything about changes in productivity. To make things more complicated it is not indicated if productivity refers to labour productivity or land productivity. Lastly, it is not clear if the objective relates to all farmers since there is a separate section on large-scale farming and since sub-objectives in one case refer to “farmers” and in another case to “small and medium scale producers”. This is not to say that the indicator is altogether irrelevant. However, it seems that some reformulation is called for.

Objectives or targets are set for technology adoption and use of inputs. The proposed indicators “% of farmers adopting at least one new technology” and “% of farmers using at least one input” do not seem to be very useful.

The objective related to vulnerability is well formulated. The indicator, “number of people *vulneraveis*” does not appear to be the best.

On the objective related to NR management no indicator is formulated. I have strong sympathy for this omission.

In summary it could be argued that the formulation of relevant indicator has not been completely successful. Nor is it less successful than many similar attempts. At this stage this should not be a concern. The important issues with respect to agriculture and PARPA II are quite different.

IV THE EFFECTIVENESS OF PROPOSED APPROACHES AND SUB-STRATEGIES IN PARPA II

Focusing at the agriculture sector there is hardly an approach or sub-strategies in PARPA II that have not already been discussed. The next step in an analysis would be to assess the internal logic of the plan for the sector (activities, sub-objectives, objectives). Apart from the

fact that such an analysis is not part of the ToR, there are reasons *not* to pursue an analysis and a dialogue of PARPA on this issue. The risk of getting bogged down in details and thereby obscuring the basic issues is apparent. There is no reason to discuss “details” if the basics are flawed.

V THE PROAGRI STRATEGY

1 Introduction

This will not and cannot be full assessment of ProAgri II, as might be the interpretation of the task as formulated in the ToR; “to assess the effectiveness of the proposed approaches and sub-sector strategies of PARPA II and the ProAgri Strategy”. However, an attempt will be made to answer the following questions.

- (1) Is the ProAgri Strategy consistent with PARPA II?
- (2) Do the basic strategic elements in the ProAgri Strategy seem to be relevant?
- (3) Is there something missing “between” PARPA and ProAgri?

Some explicit reservations are well placed before proceeding. Firstly, I have not had access to the annexes to the Strategy document. Reference is made in the main text to an analysis of problems and opportunities, which ostensibly provides the rationale for the selection of problems to address. Secondly, I have not had access to the MINAG Vision document for the agriculture sector. Thirdly, my personal first hand knowledge of Mozambique is outdated with a wide margin.

Before attempting to answer the questions above, a couple of general observations on ProAgri II will be made in passing.

Firstly, it is striking that the document devotes more space to a discussion of the planning, funding and implementation mechanisms than is devoted to the development issues. Without having any information, a fair guess is that these aspects have been (very) problematic in phase I. Yet, looking at what is now proposed; the complexity is what strikes me.

Secondly, on the same note I find the ambition level extremely high. The proposed scope is very wide, the modifications in modes of operation and role allocations are significant and the calls for co-ordination, stakeholder participation and policy changes are near to endless. More than 175 (bulleted) *activity areas* (not activities) are suggested in the three intervention areas – small-scale farming, commercial farming and NR management. If this ambition level is combined with the far-reaching changes in the approach to planning and implementation, it stands to reason that the complexity of ProAgri II is very significant.

Thirdly, it may be a matter of semantics but it is somewhat disturbing that the ProAgri strategy hardly anywhere mentions the word poverty or poverty reduction.

Fourthly, the structure of the document makes it exceedingly inaccessible and hard to read.

2 Is the ProAgri strategy consistent with PARPA II?

The ProAgri Strategy document makes an elaborate analysis of the consistency of the Strategy with the policy framework, which includes PARPA II. The conclusion is that the Strategy is consistent with PARPA in terms of objectives, pillars and key areas. The two key areas, which are pillars in the ProAgri Strategy, *development of financial services* and *export promotion and trade policy* are “fully described in PARPA while the other ProAgri II pillars and the objectives are consistent with PARPA without being fully described”, it is claimed.

This is a justified claim. As could be expected, the ProAgri Strategy is far more elaborate on the different strategy elements than PARPA II.

The ProAgri Strategy is even more explicit on the perceived significance of the commercial sector than is PARPA II. The commercial sector is said to be “very important” for agriculture development and “a for runner”. The implied relative importance of the commercial sector is also much greater in the ProAgri Strategy, as the Strategy sees very notable limitations in transforming subsistence agriculture to market oriented, commercial agriculture.

This is a crucial conclusion with far-reaching implications. If it is correct, it casts doubts on the possibility for Mozambique to achieve its overall growth target as well as the target for poverty reduction in PARPA II *even if PARPA II was redesigned to give priority to the agriculture sector and to smallholder agriculture production*. We will return to this issue below.

3 Are the basic elements of ProAgri II relevant?

3.1 Introduction

The elements, which will be commented upon, are:

- 1) The change from a vertical to a horizontal approach.
- 2) A cross-sector approach to agriculture development.
- 3) The emphasis on the commercial sector.
- 4) The four pillars.

The reservations made in the introduction on the section on ProAgri need to be stressed once more. I do not have sufficient country level experience and information for a proper analysis. Hence, the comments are highly tentative and should be seen as an attempt to raise questions rather than to give answers (contrary to what was indicated in the introduction!).

3.2 Change from a vertical to a horizontal approach

The authors of the Strategy feel very strongly about this change. At some point they state that this is what ProAgri II is all about²³. Apparently the vertical approach in phase I was not very successful.

²³ Hopefully not!

An important element in the new approach is the GOM decentralisation programme. The document is not very clear in elaborating to what extent decentralisation is a matter of *deconcentration* of administrative functions and/or a matter of *devolution* of political power by formation of elected local government units, the substance and pace of such decentralisation, the relationship between the two (a local government body e.g. at district level and the district level administration) as well as the relationship between the district level and the provincial level.

The district level administration is expected to shoulder significantly increased responsibilities and tasks. The strategy document comments on the capacity issue in what seems to be “hope-for-the-best” terms. No convincing evidence is presented to suggest that the districts will be staffed in a manner that will make them capable of undertaking the new and greatly expanded responsibilities.

Apart for a staff constraint, other constraints to a shift to horizontal and decentralised planning and implementation of development activities are recognised to be significant. In the risk analysis it says, “the horizontal approach requires important attitudinal and practical changes within MADER and across the sector, as well as from donors.” Experience suggests that such changes do not come easily. Furthermore, it is not mentioned that the horizontal approach is a fundamental matter of re-allocation of power and that this is inherently difficult.

3.3 *A cross-sector approach*

The ProAgri II strategy is conceptually interesting, as it comprises a multi-sector and multi-level approach for agriculture development. For instance road investment is identified as a pillar in the strategy and so is the promotion of an enabling environment for agribusiness operations. Interventions on these issues clearly fall outside the agriculture sector as defined by the responsibility of MINAG. They also represent interventions at different levels.

There is much merit in such a broader approach to agriculture development than is generally taken. At the same time it can be argued that the result is increased complexity. And, ProAgri seems to be complex also without this additional ambition

However, there are reasons to look at different ways to reduce complexity, which seems to be desirable. It is far from obvious that limiting the approach to agriculture in a narrow sense is the preferable option. From the analysis in ProAgri it seems that there are good reasons to suggest that it is not.

3.4 *Emphasis of the commercial sector*

As noted above, ProAgri II puts strong emphasis on the development of the commercial farming sub-sector comprising some 450 large-scale farms and around 10,000 emerging commercial farmers. The following line of argument is presented to justify this position.

The Mozambique market for agriculture products is limited and any major increase in production has to find markets beyond its borders. To succeed on these markets farming in Mozambique has to become competitive. In overcoming this constraint, it is argued, the development of commercial agriculture is a *sina qua no*. The commercial farmers are labelled

“for runners” and they are expected to pull an increasing number of non-market oriented farmers from subsistence production. While not expressed as a priority, export to overseas markets is one of the options.

A number of questions can be raised on this argument. One concerns the markets.

As discussed in section (4.4), urbanisation is expected to accelerate, and in 2015-17 about half of the population will live in urban areas. This means that an additional 4.5 million urban-based people will demand food. In other words, there will be a fast growing domestic market for a variety of food items, including staple food. The same transformation in SSA in general will result in a massive increase of the urban population. In 2030 the urban population in Africa is expected to have increased by 440 million people.²⁴ The value of the food consumed in African cities is expected to increase from some 40 billion USD to no less than 160 billion.²⁵ In other words, an enormous market for agriculture commodities is emerging on the African continent and food imports are expected to increase very significantly in many countries. This is not the place to elaborate conceivable implications. However, in all likelihood there are implications with bearing on strategy.

Implicitly the strategy advocates the development of a bi-modal structure of the agriculture sector. Colonial regimes created such an agrarian structure in many countries in SSA. The end of colonialism did not change this structure even if ownership was transferred. In this regard Mozambique could have become an exception. The near to complete exodus of the Portuguese settlers meant that the large-scale farms these settlers had developed were abandoned. It is well documented how the Government transformed such large-scale farms to state farms. In the early 1990s it was a hotly debated issue whether the government should permit a re-establishment of large-scale private farming units when state farms were dismantled.²⁶ Eventually it did and perpetuated the bi-modal structure, which the ProAgri promotes.

When promoting such a bi-modal agrarian structure, it should be a concern that experience rather conclusively suggests that 1) the market oriented and resource strong farmers advance most and fastest, and 2) that the link between the more sophisticated farmers and the subsistence farmers remains weak. Hence the pull effect is limited.

A number of factors favour growth among the more resourceful farmers. The resource base, including education and social capital, is fundamental. So is their risk bearing capacity. The large-scale farmers are the ones who more easily can capture the opportunities, which a market based economy offers. Furthermore, partly as a result of the political leverage a resourceful lobby of larger farmers can mobilise, government policies and investments tend to favour larger producers.

In some degree this may be necessary and acceptable as long as

- 1) there is a convincing set of policies and institutional arrangements, which link smallholder development with the advancement of larger commercial farming operations;

²⁴ Technoservice

²⁵ Ibid

²⁶ At the time together with Mozambican colleagues I was involved in formulating a strategy for agriculture development.

2) the employment effect biased in favour of rural poor is substantial enough;²⁷

The ProAgri strategy is not convincing on either of the two. The concrete meaning of the commercial farmers as “for runners” is not elaborated. When suggesting that commercial farmers and farmers with an interest to participate in markets share constraints such as poor infrastructure, including roads, markets for inputs, products and services, the strategy recognises that the design of interventions are likely to be local and target group specific. Put more bluntly it means that the designs for the commercial farmers are likely to be of limited relevance for resource poor farmers. And the needs of the resource strong farmers are likely to be given priority.

It is surprising that the strategy does not make stronger reference to the Mozambican experience of contract farming. This concept has considerable potential to provide the linkage and it would have been interesting to see some innovative attempts to influence incentive structures and institutional arrangement to promote this concept.

As the strategy is formulated at present, there is an obvious risk that development efforts will be geared towards farmers who are already commercialised in significant degree and that the poor masses of farmers are left behind. This is unfortunately the typical development pattern of a bi-modal agriculture strategy. Government policy pronouncements in favour of something different generally come to little more.

The most controversial dimension of ProAgri II is that the large number of subsistence farmers by implication is more or less written-off as a development option. This decisively reduces the credibility of ProAgri II as a strategy for poverty reduction as well as GDP growth. In order to be credible, ProAgri II should have focused specifically on the challenge to transform a large number of predominantly subsistence farmers to market oriented farmers. It does not.

3.5 *The four pillars*

ProAgri II identifies strategic four pillars namely (i) input and output markets, (ii) rural finance, (iii) rural infrastructure, and (iv) provision of an enabling environment for agribusiness development. Around these pillars interventions are to be designed that are characterised by being (i) result-oriented, (ii) responsive and demand led, (iii) compliant with the Basic Principles, (iv) embrace decentralisation, (v) stick to core functions, and (vi) focus on providing an enabling environment.

In all likelihood these pillars are relevant and well chosen. The trouble is not the pillars as such but *how* concrete and useful actions and activities are to be worked out and implemented in relation to them. This may not be too difficult on the “infra-pillar” and the “enabling-pillar” but more so on the remaining two pillars. Without providing a supporting analysis my conclusion is that there is no convincing proposal on how input and output markets and financial services *particularly for smallholders* will become a reality. What in concrete terms will make them emerge at a scale that matters?

²⁷ The development of the horticulture sector in Kenya is a good example of this effect. It should be noted that the smallholder share in this sector has decreased steadily and is now around 30%.

It is considerably easier to envisage measures on all four pillars that will be relevant and feasible for commercial farmers. That is one reason why activities in support of commercial farmers will tend to take precedence.

4 A final observation

It would be unfair not to give ProAgri II credit for the way gender issues and issues related to HIV/AIDS are analysed and reflected in the strategy. This is in contrast to the comparatively inadequate manner in which these issues are covered in PARPA II.

VI IS THERE SOMETHING MISSING “BETWEEN” PARPA II AND PROAGRI II?

In addition to the crucial question of agrarian structure already discussed at some length, there are a number of other strategic aspects, which are adequately addressed by neither PARPA II nor ProAgri II. I will argue that there is something important missing in terms of strategy “between” PARPA II and ProAgri II.

One such aspect is the question of regional focus of agriculture development. Given regional differences in preconditions for agriculture development, the vastness of the country and an omnipresent severe resource constraint, it seems imperative that regional prioritisation and concentration of efforts is part of an agriculture strategy. The approach that is presently implied in PARPA II and clearly applied in ProAgri II implies that efforts are made nationwide. This in turn means that available resources will be spread very thinly with reduced impact as a result.

Another aspect that is already mentioned, and which is closely linked to poverty reduction and food security among subsistence producers, is how increased production is to be achieved. In the present strategy documents the focus seems to be on increasing land productivity (yields) without considering area expansion as a strategic option. This is an example of issues that would have surfaced in a more elaborate problem analysis focusing at the subsistence farmers.

PARPA II fails to provide strategic direction and ProAgri II hardly deals with more overriding strategic issues but is a recipe for doing what can be done and is demanded in a specific local context, wherever.

Annex 1 Terms of Reference

Uppdraget

Att analysera Mozambiques fattigdomsstrategi, samt jordbruksministeriets sektorsstrategi tillsammans med ett par andra sektorstudier med avseende på relevans, effektivitet och genomförbarhet.

Specifikt uppdrag

- Att analysera relevansen av fattigdomsanalysen i PARPAn med speciellt fokus på landsbygden samt bedöma huruvida förutsättningarna ges för ökad tillväxt på landsbygden.
- Att analysera på vilket sätt de areella näringarna är viktiga för fattigdomsbekämpning samt ekonomisk tillväxt i Mozambique.
- Att bedöma effektiviteten i föreslagna ansatser och delstrategier både vad gäller PARPAn och sektorstrategin (ProAgri).
- Att bedöma relevansen av valda indikatorer i PARPA-matrisen för jordbruksutveckling.
- Att analysera PARPA-budgeten när denna publiceras i mitten av mars och jämföra prioriteringar i den skrivna texten.

Tiden samt redovisning

Arbetet ska genomföras under max 10 arbetsdagar och slutsatserna skall redovisas i en rapport på mellan 15-20 sidor skriven på engelska. Slutsatserna skall användas i arbetet med att ta fram en ny landstrategi i Mozambique. Arbetet skall genomföras från 6 mars och skall vara slutfört senast 24 mars 2006.

Annex 2 Documents reviewed or consulted

Action Plan for the Reduction of Absolute Poverty, 2006-2009 (PARPA II), preliminary version, November 2005.

Matriz Base de Indicadores e Metas o PARPA II

Ministry of Agriculture and Rural Development. Strategy Document, ProAgri II, March 2004

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