

## Response to

## Comments on

Mozambique: 'The war ended 15 years ago but we are still poor'  
authored by Joseph Hanlon

Prepared by Channing Arndt, 6 December 2007

by Joseph Hanlon, 18 December 2007

### 1. Introduction

This note responds to comments on my paper by Channing Arndt on issues relating to the evolution of poverty in Mozambique. This note is structured as follows. First, the broad issues and areas of disagreement are highlighted, focussing on our disagreement about the reduction in poverty in Mozambique. Next, selected specific areas of disagreement are discussed. A final section concludes.

### 2. Core disagreement

We are in agreement with the starting point that, as Dr Arndt puts it, "Mozambique remains a poor country by almost any standard. All of the available data ... point to high levels of deprivation for large shares of the population." This is captured in the title of my paper, which is an expression which I heard repeatedly in interviews in rural areas: "The war ended 15 years ago but we are still poor".

Dr Arndt goes on to say that

Distinguishing between level and trend in communicating progress in the fight against poverty has posed a significant challenge for the government. Data on trends in the living conditions of the population have been largely, but not uniformly, positive. Nevertheless, due primarily to the very low initial base, levels remain low. It turns out to be more difficult to communicate simultaneously a positive trend and a low level than one might imagine a priori. It bears emphasizing that there is no disagreement with respect to levels: they are low, which is why the fight against poverty remains the central platform of government. The question revolves around trend.

This is the core of the disagreement. I specifically argue that the trend in economic living conditions has *not* been positive for the majority of Mozambicans. Indeed, I go further and state that surveys show that for many Mozambicans the trend is negative – they are being plunged into deeper poverty – while many others are struggling desperately to remain near the poverty line.

There have been two real gains. First, the massive expansion of education over the past decade is real and has been hugely popular; when asked to compare their lives with five years before, new schools are frequently cited as the biggest gain.<sup>1</sup> Second, there was a significant post-war economic rebound, triggered by the return of refugees, farming of land long left fallow, and the reopening of communications routes.

However, for a majority of the population, trends in economic living standards have not been positive since then. In the paper I use the rural income surveys (TIA, Trabalho de Inquérito Agrícola) from 1995-96, 2001-02 and 2004-5 (Chart 1 and Tables 3 and 4 of the paper). Those surveys cover 70% of the Mozambican population, and show that the differences between better off and poor are widening noticeably. The poorest half of the population is becoming poorer, roughly one-third are struggling to keep above the poverty line and are often falling back, and perhaps one-sixth are doing well and significantly improving their economic position.

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<sup>1</sup> Although when I interviewed people in rural areas, they all went on to say "but our pockets are still empty".

The alternative comparison<sup>2</sup> is between two national family expenditure surveys (IAF<sup>3</sup>) in 1996-97 and 2002-03. That report offers two different figures. In one, the “poverty headcount” falls only from 69.4% to 63.2%. This figure corresponds more closely with other surveys such as the TIA, and especially with people’s replies to surveys in which respondents do not see a dramatic fall in poverty. A second figure is also offered in that report; it differs significantly from most other studies and has become the most widely cited figure. Dr Arndt played a central role in calculating this second figure, which shows that “rates of poverty declined substantially”, with the “poverty headcount” falling from 69.4% to 54.1%. This is the only figure cited in the Executive Summary, and it has become the headline figure. In my paper, and below, I challenge the methodology used to arrive at the substantial decline in poverty, and I consider the first figure to be more likely.

Thus, I argue that in seeing this, as Dr Arndt puts it, as a problem of “communicating progress in the fight against poverty”, the government, donors, and many authors have been selective in the way they present data. At the end of his comment on my paper, Dr Arndt notes that “it is important to emphasize that a wide array of information is publicly available. Hanlon’s paper itself is evidence of this. ... Hanlon’s paper also demonstrates that Mozambique has not been selectively refraining from publishing disappointing figures.” This is true, but it is not the point I made in the paper. The point is that from a very large range of possible figures, the government, donors and many writers select only one ignores – that developed by a team led by Dr Arndt and which appears to show a remarkable fall in poverty. The key report, in its own Executive Summary, does not even cite a more plausible alternative figure showing a negligible fall in poverty.

Dr Arndt goes one to say that “It turns out to be more difficult to communicate simultaneously a positive trend and a low level than one might imagine *a priori*.” I would argue that the main reason for this difficulty is the most Mozambicans do not see a positive economic trend in their own lives, and most survey data does not show such a trend. There are real gains on the social side (which are an important component of any definition of poverty) but there are few gains on the economic side as measured by the “poverty headcount”. In particular, my main argument – and my main disagreement with Dr Arndt – is that government and donors are selectively using data to create an image of a rapid fall in economic poverty when, in fact, this had not occurred.

Why is this important? Over more than a decade, Mozambique has had very rapid increases – typically of more than 7% per year – in the headline figures for Gross Domestic Product (GDP).<sup>4</sup> Yet public opinion and the bulk of research has not shown a comparable reduction in poverty. This raises stark questions about present economic policy. But if research can be found to show a reduction in poverty, this would confirm the success of present policy and argue for its continuation. Thus the prominence given to the alleged fall in the “poverty headcount” from 69.4% to 54.1% is directly linked to an attempt to defend present policy.

I argue that other research does not support this claimed large fall in poverty, and that the failure to reduce poverty is a direct result of following a specific economic policy promoted by the international financial institutions – that the role of the government is to create human capital (though health and education) and infrastructure (such as roads), and that economic development should be left to the private sector and that government must take a hands-off role in the economy. One purpose of the paper, which draws on material from a forthcoming book (*Do bicycles equal*

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<sup>2</sup> Massingarella et al, 2004, *Poverty and Well-Being in Mozambique: The Second National Assessment (2002-2003)* and *Pobreza e Ben-Estar Em Moçambique: Segunda Avaliação Nacional (2002-2003)*, Maputo: Direcção Nacional do Plano e Orçamento e Gabinete de Estudos, Ministério do Plano e Finanças; International Food Policy Research Institute; and Purdue University. Cited as DNPO et al (2004) in the Arndt comment.

<sup>3</sup> IAF is a common abbreviation standing for Inquérito Nacional aos Agregados Familiares Sobre Condições de Vida in 1996-97 and Inquérito Nacional aos Agregados Familiares Sobre Orçamento Familiar in 2002-03.

<sup>4</sup> Note that there are a very large number of GDP figures. The Instituto Nacional de Estatística presents data for seven different version of GDP per capita, while other are produced by the IMF and UN agencies. Most but not all show large increases over time.

*development in Mozambique?; Há mais bicicletas. Mas há desenvolvimento?*)<sup>5</sup>, is to argue that this policy has failed to end poverty, and that government must take a more interventionist role. I further argue that donors and government have been attempting to communicate a dramatic and positive trend in poverty reduction in order to justify and claim success for a policy which is increasingly seen as a failure.

In his paper Dr Arndt says:

Hanlon charges that donors are so desperate for a success story that they “are highly selective in the choice of data, highlighting the most positive figures while ignoring equally valid information that paints a different picture” (Hanlon 2007, p. 12). He also asserts that “the declines in poverty are exaggerated” (p. 12).

This is correct and I stand behind these charges. He then goes on to say that I am implying that the government of Mozambique is misleading its people and the international community with respect to the evolution of the poverty situation.

This I do not accept. The charge is more subtle. I argue that the international community has brought substantial pressure on Mozambique to accept a particular economic strategy, and that to justify that strategy key members of the international community are presenting a misleading picture of the evolution of the poverty situation. I further argue that the government of Mozambique is colluding in that presentation.<sup>6</sup>

I agree with Dr Arndt that “the question revolves around trend”. This is important precisely because it points to the success or failure of past and current development policies.

### 3. Debates about data

All surveys and their analyses in poor countries have serious problems of quality, and must be treated with some caution. In Mozambique at least five problems are present. First, there is often an issue with sample selection, both in terms of randomness and social and geographical spread, and in terms of comparability between a survey and a subsequent one. I have, for example, not referred to a recent nutrition survey which seemed to show a sharp decline because it was not comparable with earlier surveys. Second, there is a serious issue of honesty of respondents. In a recent survey, twice the percentage of people claimed to have voted in the 2004 election than actually did. Third, Mozambique is a very large country and in any year there are usually weather events somewhere which skew the data. In the famous family expenditure survey<sup>7</sup> (IAF) there is a whole section “Special cases: Sofala, Cabo Delgado, and Maputo”, looking at both a flood and at sampling problems. Fourth, much of the food consumed by Mozambicans is produced by the extended family, and any economic analysis of GDP or family income must make a series of choices about how to value this. Fifth, rapidly changing exchange rates, both between the Metical and other currencies and between the US dollar and other currencies, combined with very real

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<sup>5</sup> Joseph Hanlon, 2008 forthcoming, *Do bicycles equal development in Mozambique?* Oxford: James Currey, and *Há mais bicicletas. Mas há desenvolvimento?* Maputo: Misanga.

<sup>6</sup> This is a much more complex, and is part of what has been described as Mozambique’s “subservient” relations with its donors. The unwillingness to present alternative economic strategies and the willingness to present and promote the most positive data about poverty reduction reflect four overlapping motives. First, many in the Mozambique government believe (correctly, we argue in *Do bicycles equal development in Mozambique?*) that total aid and especially budget support can only be maximised if there is unquestioning acceptance of donor economic policies and priorities. Second, there are sharp disagreements on economic policy within the government and between senior officials, but there is a group which does support the donor-promoted neo-liberal model. Third, there is a large amount of wishful thinking – people want to believe in poverty reduction. Fourth, in a multi-party electoral system, any government necessarily presents information in a way that claims the maximum improvement in living standards of its citizens. Thus there are strong motivations for the government to collude with donors in presenting an exaggerated picture of poverty reduction. But I would never accuse the government of misleading the international community on this matter. Some of these issues are discussed in another paper. (Joseph Hanlon and Paolo De Renzio, 2007, “Contested Sovereignty in Mozambique: The Dilemmas of Aid Dependence”

[http://www.globaleconomicgovernance.org/docs/DerenzioandHanlon\\_Mozambiquepaperrev120107.pdf](http://www.globaleconomicgovernance.org/docs/DerenzioandHanlon_Mozambiquepaperrev120107.pdf))

<sup>7</sup> Massingarella et al.

questions about the calculation of purchasing power parities (PPP)<sup>8</sup>, as well as the lack of proper national inflation and cost of living data, make it difficult to do comparisons over time.

Anyone trying to do data-based studies in Mozambique does their best to present what they consider to be a fair and accurate picture. Good reports always try to explain the often heroic assumptions that must be made and to justify the choices about how to “correct” data.<sup>9</sup>

Under the circumstances, any set of data and any survey result can be challenged on methodological grounds. There are three ways in which I look at the acceptability of a data set or survey. First, what is the credibility of the people producing the data and what is the public acceptability of the result. Second, how does it compare with other similar data, surveys and studies. Third, entirely subjectively, how does it “feel” – does the outcome seem reasonable and do the assumptions, corrections and choices seem reasonable.

I will defend most of my choices of studies on these three grounds, and will not enter in complex debates which can be had about all data series. However, I will look in more detail into the headline figure from the family expenditure survey (IAF), where it is necessary to choose between two figures within the report itself. I will argue that the choice made by the authors is acceptable on the first criteria, but that the first presented figure is preferable on the other two criteria.

In the next sections, we take up Dr Arndt’s specific points of disagreement.

### 3.1 The UNDP and growth

Table 16 in the middle of the *Mozambique National Human Development Report 2005*<sup>10</sup> gives what it calls “Real per capita GDP (US\$)” which shows a decline in GDP per capita in all provinces except Maputo province between 2000 and 2004. As Dr Arndt had trouble finding the table and the pages in the centre of the book are not numbered, I attach a scan of the table.<sup>11</sup> Note that the independent National Statistics Institute (Instituto Nacional de Estatística) publishes an annual series of GDP and private consumption per capita, which shows a fall in GDP per capita from 1999 to 2001, but more importantly, a dramatic 28% fall in private consumption per capita from 1998 through 2002.<sup>12</sup> This covers almost exactly the years between the two IAF surveys, which makes the sharp fall in poverty claimed by Dr Arndt even more surprising.

### 3.2 The International Poverty Centre<sup>13</sup> Report

Dr Arndt raises four issues about a report on Mozambique by the UNDP International Poverty Centre<sup>14</sup>, which I take in this order: 1) Arguments over “pro-poor”, availability of data, and choice of conclusions. 2) Does the IPC report show increasing differentiation? 3) Is The International Poverty Centre report “damning”? And the key issue of the whole debate, 4) what would be the nature of the needed significant shifts in development policy.

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<sup>8</sup> The Human Development Index uses PPP data for income. Robert Wade of the London School of Economics dismisses PPP as being based on “guesstimates” and very limited survey data. See, for example, Robert Wade, 2004, “Is Globalization Reducing Poverty and Inequality?”, *World Development* 32(4), pp. 567–589.

<sup>9</sup> Sometimes this is hidden; Mozambique’s National Elections Commission is permitted to make corrections to the final election results in secret, and in 2004 this at least affected the allocation of one or two parliamentary seats.

<sup>10</sup> United National Development Programme, 2006, *Mozambique National Human Development Report 2005*, Maputo: UNDP.

<sup>11</sup> I earlier noted the issue of exchange rates, and here it is a major problem – real GDP falls in dollars and increases in meticals.

<sup>12</sup> Instituto Nacional de Estatística, 2002, *Anuário Estatístico 2003*, Q 5.4.4 and G 5.4.4, p 125, and Instituto Nacional de Estatística, 2004, *Anuário Estatístico 2004*, Q 5.4.4 and G 5.4.4, p 130. Private consumption per capita falls from \$199 to \$144.

<sup>13</sup> The IPC used the English spelling, Centre.

<sup>14</sup> Pekka Virtanen and Dag Ehrenpreis, 2007, ‘Growth, Poverty and Inequality in Mozambique’, Brasilia and New York: UNDP International Poverty Centre, Country Study no 10.

Dr Arndt wishes to argue over definitions of “pro-poor”, and my only comment is that I prefer the IPC definition to his – precisely because I see the widening gap between poor and better off as a central problem in present-day Mozambique. He also continues to stress the wide availability of data, with which I have already agreed. He also accuses me of saying that the government has been “misleading”, where I would prefer the word “selective”. Just as Arndt and his team chose to put the high fall of poverty in the Executive Summary and not the alternative low figure, so government reports inevitably paint the best picture; this is hardly surprising and need not be defended. But others will choose alternative numbers and surveys.

The IPC study and a recent World Bank study<sup>15</sup> both use the Theil entropy measure of inequality, which measures income transfers from poor to rich<sup>16</sup>, and which show a significant increase in inequality across the country. Dr Arndt says that this “observation from the IPC study applies uniquely to Maputo City”. This is not true. Table 2 (page 5) of the IPC study, quoting James, Arndt and Simler,<sup>17</sup> shows a Theil index increase in all but two provinces, and the biggest increase is not Maputo City but Cabo Delgado.

The International Poverty Centre report is “damning” precisely because it largely accepts the government’s preferred figures, yet is still highly critical of development policy and the failure to decrease poverty. The report states clearly and unambiguously in the abstract:

The main factor in the reduction of poverty since the mid-1990s has been increased production in agriculture, the main source by far of livelihoods in the country. However, this growth represents only a “bounce-back” to pre-war levels of agricultural production, without any substantial gain in productivity, which remains very low even when compared regionally.

In the report itself, it stresses that

this “bounce-back” effect in agriculture cannot be repeated. ... Recovering pre-war production levels with well-known and previously applied technology did not demand much innovation and investment, but not this option for growth has been exhausted.

It continues

Investment in agriculture remains extremely low. This can be partly attributed to weak government performance. Despite years of preparation, the recently launched national rural development programme (Proagri II) lacks a concrete strategy. ... With dozens of sub-sectoral strategies and no overarching development vision or adequate mechanism to priorities, link and coordinate activities, the government’s approach to rural developed has been fragmented and based on poorly integrated analysis.

Arndt says “we hardly consider the report to be damning”; no vision and weak performance count as “damning” in my view.

Most importantly, and at the core of Dr Arndt’s response, is an attempt to minimise the IPC report’s call for a quite substantial change in strategy. This is not, as Dr Arndt writes, simply to change one area of existing policy. It sees the transition to an efficient, commercially-oriented agriculture system as central to ending poverty, and calls for a radical change in the whole approach to commercial agriculture. This is specifically not just infrastructure, but a combination of public and private action to stimulate contract farming, rural credit, and marketing. Pro-poor policies, in IPC terms, must create jobs to “ensure a substantial employment effect on the rural poor”. The suggestion that aid should be invested in agricultural marketing, cited by Dr Arndt, is not a simple

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<sup>15</sup> World Bank (2007), *Beating the Odds: Sustaining Inclusion in a Growing Economy – A Mozambique Poverty, Gender and Social Assessment*, Washington: World Bank, Report 40048-MZ. Table 4.14 is particularly important because of the way it shows clearly how large numbers are moving up and down past the poverty line.

<sup>16</sup> 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.

<sup>17</sup> R C James, Channing Arndt, and Kenneth Simler, 2005, “Has Economic Growth in Mozambique Been Pro-Poor?”, Maputo: Ministry of Planning and Development.

change – indeed, it is a call for a total reversal of two decades of policy in which marketing has been left to the private sector.

A final point should be made here. Mozambique is changing slowly. The agriculture minister has just been replaced by someone (Soares Nhaca) who seems more likely to support commercial agriculture. President Armando Guebuza is his programme of district funding has, for the first time, put a priority on job creation. These are beginnings, but they remain small changes, compared to those advocated by some quite establishment organisations. For example, UNCTAD's *Least Developed Countries Report 2006*<sup>18</sup> argued for a “paradigm shift” to put more stress on demand rather than supply to promote job creation and production.

### 3.3 Child Nutrition

In the paper, we note that both the World Bank<sup>19</sup> and UNICEF<sup>20</sup> talk of what both call the ‘paradox’ of rising chronic child malnutrition in the face of claimed GDP growth. Dr Arndt attempts to refute this by citing a study by Kenneth Simler and Hanifa Ismael Ibrahim<sup>21</sup> which argues that that different surveys are not quite comparable, and if corrections are made there is no rise in child malnutrition. I accept the authors views on the significance of this. Simler and Ibrahim write:

Controlling for confounding factors indicates a more positive change in nutritional status over time than the uncorrected data. Even so, despite rapid economic growth and poverty reduction over the period 1996–2003 there has been little improvement in children’s nutritional status. ...

Although the approaches used to control for differences in the samples is of potential methodological interest, it is also noteworthy that whether one makes these corrections or not, the dominant impression is that there has been precious little change in children’s nutritional status during a period when Mozambique has experienced rapid poverty reduction by other measures. ...

the evidence presented here indicates that it is far behind the pace needed to meet the MDG [Millennium Development Goals] of reducing underweight prevalence by half by 2015.

In other words, changes in chronic malnutrition roughly match the small 69.4% to 63.2% drop in poverty given as the first option of the IAF study, and not the huge 69.4% to 54.1% drop of the second option.

### 3.4 Are declines in poverty exaggerated, or which IAF number is better?

Dr Arndt takes umbrage at my view that in his study “the decline in poverty is exaggerated”. As noted, the study offers two possible declines in poverty, and the key issue is the definition of the poverty lines, which is partly based on a food basket providing basic nutrition.

The study sets a series of 13 regional poverty lines based on a food basket meeting the minimum caloric requirements, but linked to actual consumption patterns, with an added non-food basket. If the same food basket is used in both years, then the percentage below the poverty line falls only

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<sup>18</sup> UNCTAD, 2006, *Least Developed Countries Report 2006*, New York and Geneva: UNCTAD, especially chapters 7 and 8.

<sup>19</sup> World Bank, *Beating the Odds*, Box 1.1

<sup>20</sup> 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%. p 94.

<sup>21</sup> Kenneth Simler and Hanifa Ismael Ibrahim, 2005, “Estimating changes in children’s nutritional status when samples are not comparable: An example from Mozambique”, Maputo: National Directorate of Studies and Policy Analysis, Ministry of Planning and Development, Discussion papers No. 17E

from 69.4% to 63.2%. Because of population increases, the number of people in poverty increased from 11.2 million to 11.7 million.

But the study organisers argue that foods prices changed significantly between the two surveys, in some areas the poverty food bundle doubled in price, and poor people did switch to alternative foods. In particularly the price of maize rose and the price of cassava fell, leading many poor people to switch<sup>22</sup>. As Dr Arndt notes in his comment, urban cassava consumption doubled. Using the new food basket leads to the dramatic fall in poverty, from 69.4% to 54.1%. However, there are three reasons why this must be questionable. First, cassava is less nutritious than maize, for the same number of calories, so a diet which substitutes maize with cassava is not, in fact, the same. Second, using the flexible basket leads to the anomalous result that the poverty line actually falls, in real terms. Thus the fall in poverty comes not from an increase in income, but from a lowering of the poverty line.<sup>23</sup> Third, this alternative fall in poverty remain an outlier – no other study shows a huge poverty reduction like this, while many group around the other choice of little change in poverty.

Of course, the whole point of continued research is that the expected – the received wisdom – can be wrong.<sup>24</sup> It is possible that an outlier like this can be correct and the other studies wrong. But it requires more than a statistical argument to justify this – there should be other forms of evidence from other studies, which so far have not appeared. This makes me question an isolated figure, no matter how well backed by statistical argument.

Thus I think, at the very least, that it is an exaggeration to cite only the large fall, 69.4% to 54.1%, and not to even mention that alternative much smaller fall from 69.4% to 63.2%.

#### **4. Conclusion – wishful thinking**

Donors, the government, and outside researchers like Dr Arndt working for the government sincerely want Mozambique to develop; much of their time and energy is spent trying to improve living conditions in a country that, as Dr Arndt notes, “remains a poor country by almost any standard.” The danger comes when hope and desire turns into wishful thinking. We all want to believe that we are doing the right thing and that our actions are promoting development, but the danger is that we come to believe in a progress which is not there.

There is also the very real issue that most figures for GDP show substantial growth over more than a decade, but most studies on poverty show little or no reduction in poverty. This leads to some questioning about Mozambique’s development policy, and comes at a time of a growing international debate about development strategy. Has the neo-liberal, human capital plus infrastructure plus private sector strategy led to development in Mozambique? Or would a more interventionist strategy focused on increasing demand and creating jobs be more effective? Here, wishful thinking can be serious, because many people want and need to believe that the old strategy is working. It becomes easy to look at Mozambique through rose-tinted glasses – to grasp at the straw of a single study in order to believe poverty is falling rapidly and that studies which say otherwise are wrong, and to believe that highly critical reports suggesting radical changes are not critical at all and merely suggest a tweaking of the present policy.

My paper was intended to challenge wishful thinking. My travels in rural Mozambique and my analyses of the studies and data lead me to conclude that economic living conditions are not improving for the majority of Mozambicans, despite the steady rise in GDP. Indeed, many

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<sup>22</sup> Massingarella et al. p 10. Section 2.7 looks specifically at the switch from maize to cassava. Dr Arndt makes the point that the report “never asserts that cassava prices fell everywhere” but I am not sure of the purpose of that note, since I cannot find anyone who made that claim. The point was the maize prices rose on average and cassava prices fell, and that substitution took place.

<sup>23</sup> Joseph Hanlon, 2008 forthcoming, *Do Bicycles Equal Development in Mozambique?*, Oxford: James Currey, table 7.2.

<sup>24</sup> Indeed, we have cited figures for a decline in GDP per capita in the 1998-2002 period which clearly go against the mainstream of the majority of published GDP figures.

Mozambicans are being plunged into deeper poverty – while many others are struggling desperately to remain near the poverty line. Jobs are not being created and opportunities to raise rural living standards are being missed. Recognising this is the first step toward a necessary shift in policy.

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