



# **Beating the Odds** **Sustaining inclusion** **in Mozambique's** **growing economy**



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This is a summary of *Beating the Odds: Sustaining inclusion in a growing economy*, the World Bank's Poverty, Gender, and Social Assessment for Mozambique. Reflecting poverty's many dimensions, the Assessment combines disciplines and diagnostic tools to explore poverty using human, social, and monetary indicators and perceptions of poverty highlighted by poor individuals, households, and communities. The objective is to support the development and implementation of pro-poor policies that really work by taking poverty's many dimensions into account.

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For more information and copies of the full report, see [www.worldbank.org/mozambique](http://www.worldbank.org/mozambique).

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## Beating the Odds: Sustaining inclusion in Mozambique's growing economy

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

As specified in the government's five-year plan (PARPA II), one goal is to pursue propoor growth—by promoting agriculture and the private sector (box 1). A second is to build human capital—by improving access to basic public services, especially for the poor. A third is to improve governance and accountability—by getting government closer to its citizens. To do all this, the government will need to increase the value for money in its spending on public services. It will also need to target services on the rural poor and enlist poor communities in identifying needs and co-managing the delivery of those services.

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

### Box 1 The government's poverty reduction strategies: PARPA I and PARPA II

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

PARPA I elaborated priority policies and programs that would foster human development and broad-based economic growth. Emphasizing the link between sustained

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

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

To improve governance and accountability, the government should empower communities as local agents of change. It should make decentralization work for the poor by devolving real power to local communities so that they can advocate for more responsive public services,

influence service delivery mechanisms, and hold local service providers accountable for performance. It should also increase access to justice for the poor by opening opportunities to engage with public institutions and ensuring that the judicial system increases its responsiveness to all Mozambicans. And it should make poor people's land rights real by increasing awareness of citizen rights to land and by strengthening the consultations for community land. All this demands reducing the red tape and petty corruption in the public administration.

#### The record of achievements

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

**“ The backbone of propoor growth in Mozambique was the response of family farmers and family-owned businesses to the progrowth economic policies of the government**

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

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

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

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

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

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

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

**Table 1 All three standard measures of poverty declined significantly (percent)**

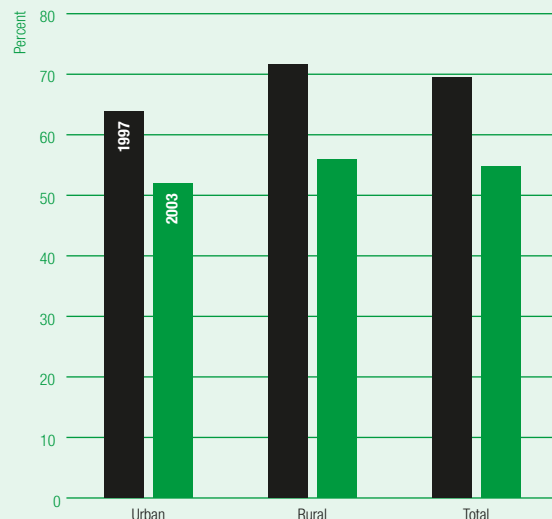
	Headcount			Poverty gap			Squared poverty gap		
	1997	2003	Change	1997	2003	Change	1997	2003	Change
All	69.4	54.1	-22.0	29.2	19.9	-31.8	15.5	9.9	-36.1
Urban	63.9	51.6	-19.2	27.2	18.9	-30.5	14.8	9.0	-39.1
Rural	71.6	55.2	-22.9	30.0	20.4	-32.0	15.8	10.3	-34.8

Note: Consistent with the 2003 urban and rural definitions.  
Source: IAF data for 1997 and 2003.

### Higher incomes and better living conditions through 2003

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

Poverty in Mozambique fell significantly between 1997 and 2003, with the percentage of poor falling from 69.4 percent to 54.1 percent (table 1). The national poverty gap index dropped from 29.2 percent to 19.9 percent. So, not only did 15 percent of the population move above the poverty line, but the average household consumption of those who had not yet escaped poverty increased. The squared poverty gap measure also fell—from 15.5 percent to 9.9 percent during the same period—a 36 percent drop in the severity of poverty.

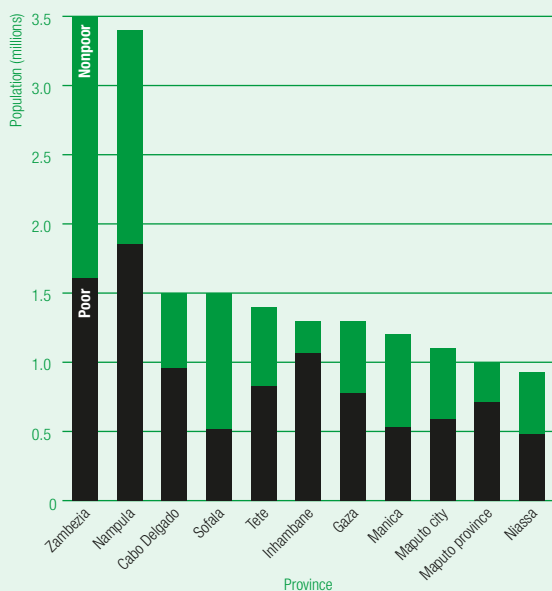
**Figure 1 Urban poverty is 52 percent, rural 55 percent**

Note: Consistent with the 2003 urban and rural definitions. Poverty calculation based on consumption per adult equivalent.  
Source: IAF data for 1997 and 2003.

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



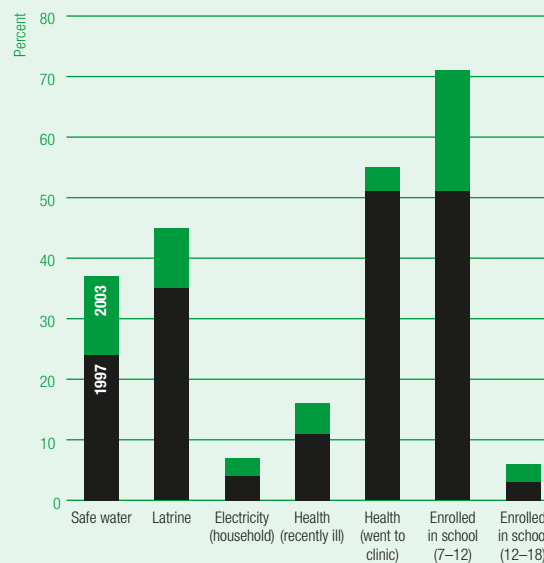
**Figure 2 Poverty rates varied considerably by province in 2003**



Source: IAF data for 2003.

Poverty has been reduced in most parts of the country, though geographical variations are large (figure 2). Poverty has fallen most in the center, mostly in rural areas, driven by the large changes in the populous provinces of Sofala and Zambezia. Sofala, the country's poorest province in 1997, saw such significant reductions in poverty that in 2003 it became the least income-poor province. Poverty also fell in the north, though more in urban areas, and it rose in Cabo Delgado. The south experienced an increase in poverty rates, especially in the city of Maputo and the surrounding province. Poverty in Inhambane, the second poorest province in 1997 after Sofala, fell only slightly, leaving the province as the poorest in Mozambique in 2003. The small poverty reduction in the rural south was overwhelmed by the increase in urban poverty. Not only did poverty rise, but the depth and severity also increased in Maputo city and Maputo province.

**Figure 3 Access to services improved over 1997–2003**



Source: IAF data for 1997 and 2003.

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

### *Access to services increased*

The different household access to services, goods, and assets helps explain the broader poverty outcomes. Mozambique has improved access to public services, though important variations remain between income groups, regions, and urban and rural areas (figure 3). Both the national household surveys and the quantitative and qualitative findings from the 2006 Poverty and

**“ In 2003 girls’ enrollment rates almost equaled boys’ in most of the country, even surpassing them in the south, overcoming longstanding prejudices about the value of educating girls**

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

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

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

Despite the improvements, constraints on access to education persist, particularly for secondary school. The

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

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

Access to healthcare, measured by the percentage of households seeking medical help when a household member is ill, increased by 5 percentage points over the two survey periods. While access varies only slightly between the bottom and middle income groups, a 13 point difference in access to healthcare separates households in the poorest fifth of the populations and those in the richest fifth (53 and 66 percent, respectively). The discrepancy is also large between urban and rural areas, with as many as 74 percent of urban residents using healthcare when ill, compared with only half of rural residents. This seems to reflect the larger distances to health posts in rural areas. Of urban households 68 percent live within half an hour of a health post. Only 21 percent of rural households do.

**“ Mozambique’s poverty reduction is attributable to the character of its growth, including the higher crop income from the rehabilitation of agriculture**

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

***So did holdings of assets and durable goods***

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

Households across all income groups improved their holdings of durable goods between the two national surveys. For some of the higher cost items (motorcycles, bicycles, televisions), the gap between the poorest and richest quintiles widened somewhat, though for most other goods the improvements were more evenly distributed. Significantly, houses were upgraded in all quintiles. Not only

is housing an important savings vehicle for most households, but many households see the quality (and security) of housing as an especially important indicator of poverty. So, the disproportionate increase in households with durable roofs between 1997 and 2003 among poorer households is important. Because upgrading is usually a cash expense, it provides a good indicator of improvements in wealth and welfare since 1997 for the poorest income groups. Another indicator of better welfare is that the share of income spent on food fell for all income groups, if slightly more for the richest quintile.

***Why was growth so effective in reducing poverty?***

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

Mozambique’s poverty reduction is attributable to the character of its growth, including the higher crop income from the rehabilitation of agriculture. Growth was also supported by donor aid, which appears to have been propoor as well, through backward linkages. Rural and urban economic growth raised incomes and stimulated demand for nonfarm goods and services. Growth remained propoor because changes in the structure of

production were labor intensive—pulling labor out of agriculture into higher value sectors, in both rural and urban areas. This raised the productivity of labor and incomes in agriculture, lifting incomes for the bottom half of the distribution, and contributing 75 percent to the fall in the poverty headcount.

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

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

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

**“ Staying in agriculture, while providing food security for the household, was generally a lower productivity and income choice, leaving women potentially at a disadvantage in controlling household income**

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

Most smallholder farmers increased their crop income up to 2003 through more extensive use of land. This growth in output per person was the most important driver of poverty reduction in rural areas, but has resulted in a land productivity that is among the lowest in the world. There are natural limits to this production process, and smallholders in Mozambique are reaching them. Without changes, they will not see the growth of total crop production that has been possible in the past. Reliance on food crops is especially risky because Mozambique's susceptibility to droughts and floods can leave subsistence farmers hungry in the off-season and their children malnourished. Only those farmers who keep diversifying into higher value crops, using yield-enhancing techniques, will realize the past growth of crop income. Farmers now know that they have to diversify. In all communities surveyed for this report, not having diversified was identified as an important characteristic of poverty. Smallholders who cannot achieve this transformation will have to rely on nonfarm sources of income (wage labor or self-employment) to pull them out of poverty.

The diversity and complexity of rural livelihood strategies, while important for raising incomes, have also increased risk. Household diversification into nonfarm self-employment in rural areas has increased income

**“ Infection is driven by mobility, with the highest prevalence rates in provinces with transport corridors connecting Mozambique to neighbors with even higher rates**

risk. Average earnings are high, but low earnings are not uncommon among those that diversify. Many households that entered the small enterprise sector or started selling labor for wages remained poor—often because they entered the very low-skill day labor market as a survival strategy. Households that lost nonfarm sources of income usually plunged into poverty. And an income shock—such as poor harvest or illness in the household—often causes households to draw down assets, making it more difficult to climb back out of poverty.

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

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

### ***The looming threat of AIDS***

The spread of HIV/AIDS is a huge threat to households. Poor health is one of their biggest risks, as identified in the Poverty and Vulnerability Survey. And once an infected

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

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

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

### **Pursuing propoor economic growth—in agriculture and the private sector**

Because of good fundamentals, Mozambique's growth episode is one of the longest on record in low income countries. Since the last household survey, Mozambique's economy continued its vigorous, broad-based growth,

**Table 2 Annual growth rates of GDP, consumption, investment, exports, and imports, 2000–08 (volume, percent change)**

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

Source: World Bank staff estimates.

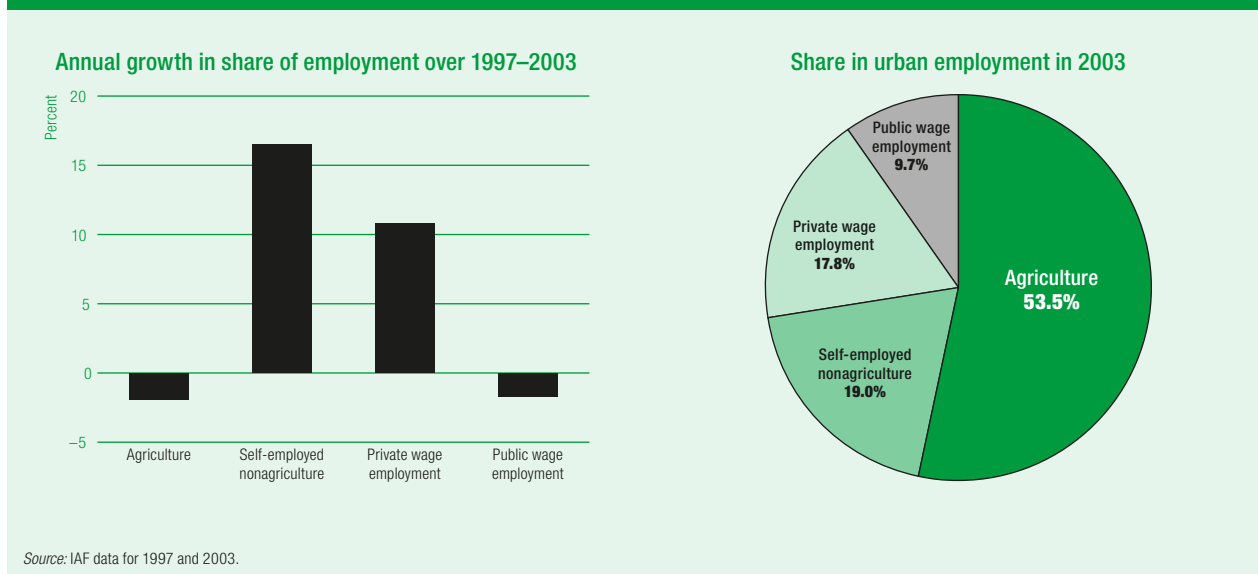
with GDP growing at about 7 percent a year since 2003 (5 percent per capita), and with no signs of slowing down. Private consumption growth continues at about 3–4 percent per capita per year, slightly higher than during 1997–2003 (table 2). Agricultural growth has been strong, which should support continued improvements in welfare in rural areas. Government spending, especially on service delivery, is rising as a share of GDP, thanks to high levels of donor support. Research shows that growth cycles usually run out after about seven years in low income, non-oil producing countries. When growth starts after a crisis, it is based (at least partly) on rehabilitation. Once this source of growth is exhausted, growth sputters or inequality increases to halt the poverty reduction impact, or both.

Mozambique has natural assets that can support and sustain the high growth rates needed for poverty reduction. Aside from a surplus of fertile land suitable for rain-fed agriculture, the long coastline includes several underdeveloped coastal tourism areas. The central provinces have coal deposits, and this area is expected to rapidly develop as a large new coal mine and a rail link come on stream with private financing. Electricity is low cost thanks to hydroelectric development. The construction

of a new bridge over the Zambezi River is expected to reduce north-south transportation costs dramatically. As a transport corridor for neighboring landlocked countries, the east-west transportation links could be an important economic asset if the Zimbabwe economy recovers. And the northern province of Nampula contains Nacala, one of the deepest natural ports in the world. All these advantages require substantial public and private investments to develop, however, and improvements in public management to maintain.

As the economy exploits these opportunities it will have to become much more nimble. Mozambique's drivers of growth are changing, with education becoming more important. The role of aggregate factors (land, physical and human capital) in Mozambique's growth path has been changing since 2002. Analysis shows that the contribution of human capital was 25 percent greater during 1997–2003 than in earlier periods, implying an important role for more highly educated new labor entrants in future growth. While this structural change will put more pressure on an education system still struggling to meet basic access issues, it might also mean that Mozambique is capable of using physical capital more efficiently—a development that could be consistent with propoor growth if it

**Figure 4 In urban areas employment in agriculture is down, self-employment outside agriculture up**



allows the absorption of more labor out of agriculture and other low productivity sectors.

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

To drive wage and salary job creation, Mozambique needs foreign direct investment in labor-intensive industries. Confining foreign direct investment to capital and energy-intensive industrial megaprojects will not create the needed jobs. Mozambique's domestic manufacturing

sector is mostly very small, concentrated in low-tech food, beverages, and wood processing. There should be potential for diversification into labor-intensive manufacturing exports, such as textiles. Past performance indicates that Mozambique should be able to attract the foreign direct investment required to create these jobs. Maintaining and improving the investment climate are crucial, especially in areas most important for large manufacturing enterprises.

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

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

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

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

**Supporting a diverse and diversified agricultural sector**  
Supporting a more diverse agricultural sector will require investments in research and extension to help smallholder

**“ Even with a major increase in industrial sector wage jobs, Mozambique cannot create jobs fast enough to absorb all new entrants in the urban labor market**

subsistence farmers increase their productivity in basic food crop production, commercial smallholders increase the scale and diversity of their crop portfolio and their farm yields, and a large-scale farming sector generate employment and other links with rural smallholders.

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

Crop income can also be increased by having rural households diversify into profitable cash crops, particularly because productivity-enhancing inputs are generally associated with such crops. Private investment in cash crops for export brings technologies that can transform the agricultural sector. And the new technologies can spill over to other crops, raising incomes in the whole community.

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

Contract farming brings improved seeds and production techniques to the farmers, provides input finance, and reduces the farmer's risk from greater specialization



**“ With Mozambique’s low population density, road infrastructure is crucial for commercial agriculture because underdeveloped transport services increase marketing costs and prevent markets from developing**

and uncertain markets and prices. The tobacco sector in Mozambique has shown that private extension services under these arrangements have a high rate of return. Note, however, that contract farming requires an appropriate regulatory framework that strikes a balance between protecting the farmer while ensuring returns to the contracting company commensurate with the risk.

*Supporting market development and new institutional arrangements for stronger market participation*

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

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

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

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

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

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

To support smallholder market access, mutually beneficial contractual links should be established between smallholders and large traders or processors in selected value chains. Policy interventions in the agribusiness sector need to strengthen links between smallholders and the emerging supermarkets (and other traders) in urban areas, and processors and traders in export-oriented value chains. To reduce the typically high transaction costs

associated with contracting arrangements, farmer associations should be developed and supported to generate more balanced outcomes.

### *Supporting income diversification through labor mobility*

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

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

**“ Access and outcome indicators are up, especially in education, with nearly 60 percent of children aged 6–11 in the poorest quintile in school in 2003**

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

### **Building human capital—by getting public services closer to the poor**

In the mid 1990s the government's challenge was to use public resources to reach millions of households neglected throughout the years of conflict with public services in order to improve welfare, build human capital, and generate income. The strategy was to allocate a large share of the budget (including donor funds) to public service delivery. The focus has been on improving quantity of services, for the most part to build infrastructure. With Mozambique's lack of any services in many parts of a vast country, this policy made sense. A high percentage of expenditures moved out of Maputo to rural areas for infrastructure construction (schools, roads, and water points), for equipment and supplies, and for personnel costs. Given the low capacity of the central government at the time, this was no mean feat.

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

**“ Until recently, many donor-financed programs were completely off the books, so the government did not actually know the total spending in health**

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

But the surging demand remains to be met. Primary schools are bursting with students, and pupil-teacher ratios are climbing rapidly. Many poor households remain unable to use other services. Cost is still the overriding access issue, especially for secondary education, because poor households simply do not have the cash to pay for the service. There are other costs, even for free services: travel time and money. Long distances to service facilities hurt girls and women more because they have less time and because safety during the journey is an issue. Girls in rural areas start school late for this reason. In rural areas in the north, for example, distance creates a vicious cycle. Long distances to fetch water keep girls at home to do chores, raising the opportunity cost to the family of sending a girl to school. Long distances to school also demand time and effort to ensure girls' safety, again raising the opportunity cost to the family. And long distances to healthcare facilities, along with fees, raise the real and opportunity costs to the family, perhaps leaving girls in poor health, another cost. This cycle disrupts the education and skills of women, lowers productivity, and devolves into chronic poverty.

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

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

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

### *Increasing public spending and getting more value from it*

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

In education this translates into increasing the quantity and quality of the services delivered, with several priorities.

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

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

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

- Invest in new health posts and health centers to reach the underserved, and improve the distribution of health personnel, including well remunerated and qualified professionals, to minimize shortages among rural and less favored areas and groups.

**“ Investments in education and health information can improve health outcomes and produce much greater value for money than, say, new urban hospitals**

- Develop outreach services that bring health services to the population, through a network of community health workers (based in the villages) working with existing health centers. Outreach activities should increase awareness of the importance of formal health services.
- Manage the distribution of medicines and diagnostics equipment to health facilities, particularly in rural and remote areas.

Investments in education and information can improve access to health services and health outcomes and produce much greater value for money than, say, new urban hospitals. In the short term disseminating information can improve childcare practices in rural areas lacking health facilities.

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

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

In water investments in sustainable systems have economic value—they increase the time available for productive activities and reduce the incidence of waterborne diseases, thus reducing the health shocks to households and

**“ A forward-looking strategy for Mozambique has to lend equal weight to empowering communities and their localities as agents of change**

the need for extra health expenditures. Access to clean water needs to be improved and the regional and rural-urban gaps reduced. Spending needs to keep up with population growth.

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

**Monitor and evaluate government spending**

Past weaknesses in monitoring and evaluation have allowed poor practices to persist—at great human and financial cost. Without data it is impossible to know what planned strategies and programs will cost. Monitoring government expenditures and evaluating how effectively they are allocated to the poor will require monitoring systems that link spending to outcomes and targets. Evaluating resource flows through selected sector Public Expenditure Tracking Surveys can identify with leakages and increase understanding of the effectiveness of sector resource allocation. Regular—well designed and well planned—household surveys can monitor poverty trends and their determinants. They can also provide the information needed for costed sector strategies that can produce results. The timing of those surveys should be aligned with the reporting needs for indicators in the Poverty Reduction Strategy and other national strategies.

**Improving governance and accountability—by getting the state closer to its poor citizens**

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

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

A forward-looking strategy for Mozambique has to lend equal weight to empowering communities and their localities as agents of change and would be best positioned to do so by:

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

### **Making decentralization work for the poor**

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

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

### **Weaknesses in capacity—within both the state and civil society at local levels—threatens to undermine reform's potential benefits**

*Informing communities of their role in decentralized service delivery.* Beyond legislative advances, consultative councils have been implemented in all districts in Mozambique. Anecdotal evidence from the Poverty and Vulnerability Survey suggests that most consultative bodies were established from top-down government pressure—rather than from bottom-up demand—given their legal requirement as part of the district deconcentration process. Indeed, in the districts and communities visited (outside the pilot province of Nampula), some consultative bodies were still not functioning properly. Even in a province (Niassa), the consultative forum was functioning in one of the localities studied (Luelele, Mandimba) and not in another (Lichinga).

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

*Improving representation and participation.* The extent to which local communities can meaningfully participate in the local budget and planning cycle is uncertain. This should not, however, lead to the conclusion that civil

## Box 2 Improving participation in planning and monitoring government programs

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

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

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

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

society is incapable of participating in the development planning process. What is required is building the capacity of citizens, civil society organizations, and even the media to interact with local governments and hold them accountable (box 2). An important element of such capacity building is improving citizen access to the information and knowledge needed for accountability—on budgets, procurement, service delivery costs, and user rights (including citizenship rights more broadly).

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

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

*Strengthening the incentives for participation and implementation.* Participation should be broadened beyond the district planning and budgeting stage to ensure greater downward responsiveness and accountability. By limiting citizen participation to consultations during the district planning stages, the incentives to participate and the ability to hold district, province, and national governments accountable are weakened. Incentives to participate in the district planning process are undermined by the slow pace of fiscal decentralization to districts. Perhaps more worrisome, however, is that few incentive mechanisms are available to district consultative councils—and to citizens

**Table 3 Household constraints on access to justice**

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

Source: Poverty and Vulnerability Survey.

more generally—to hold district governments accountable for local decisions, plans, and investments. Not even the crude mechanism of holding district officials accountable through the ballot box is available to citizens in rural areas. So, while consultative councils may have addressed part of the democratic deficit at the district level, they should not be seen as a substitute for democratic local government in the long term.

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

### *Increasing access to justice for the poor*

Improving the understanding of how poor people can access the resources and assets to achieve a secure and sustainable livelihood requires focusing on the systems of rights and justice available to the poor. In recent years the government has put in place a range of legislative reforms that have begun to change the landscape of rights, justice,

and empowerment for the poor. The most significant is the 2004 revision of the Constitution. Other reforms—such as the 1997 Land Law and the 2005 Family Law—are also directly relevant to the lives of poor people, regulating their access to key resources inside and outside the household. Decentralization is also changing the institutional landscape and the public policy approach aimed at realizing many of these rights.

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

### *Disseminating information on rights and responsibilities.*

The majority of poor men and women interviewed had very little insight on their specific rights and responsibilities as citizens. The few that recognized the existence of rights highlighted the right to vote, to live in freedom, to life, to work, and to health, food, and education. Some emphasized citizenship responsibilities—to pay taxes and to carry personal identification, a responsibility that carries its own set of problems for the poor. The majority of



**“ Only 5 percent of households in 2005 resorted to the formal courts during the previous year. In rural areas the proportion was 3 percent**

poor households are even unaware of recent laws directly relevant to their livelihoods and assets, such as the land and family laws. People’s low awareness of their rights extends to land and inheritance rights.

Better dissemination of information on citizens’ rights and responsibilities is thus critical. Given the substantial changes to the country’s legal code since the early 1990s—particularly in small-scale commerce, natural resources, and family matters—it is important to disseminate information on these new laws and their implications for the rights of the poor. New laws are usually disseminated through the *Official Bulletin*. But the sporadic and limited publishing of the bulletin has hindered widespread dissemination of laws and other relevant legal information. Moreover, few laws have been translated into local languages and disseminated widely, which causes major difficulties in a country where only 8 percent speak Portuguese, the official language, as their native language and only 27 percent speak it as a second language.

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

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

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

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

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

Local authorities, by virtue of their roles as elected leaders with administrative mandates, often mediate and resolve community disputes. But how these mechanisms follow established legal procedures is unclear. The 2004

Constitution does not explicitly recognize the role of traditional and local authorities within the justice system, despite their importance in facilitating access to justice for most of the poor. But by confirming the principle of legal pluralism, it allows for future legislation to better integrate such mechanisms into formal justice.

### *Making poor people's land rights real*

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

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

Implementation of the law has been relatively slow, but several advances can be identified. The government—supported by donors and national

**“Despite investments in public education, most households—particularly poor households and those headed by women—are unaware of the land law and its implications**

nongovernmental organizations and community service organizations—has invested heavily in raising awareness of the land law. In addition to making the law available in the national press and *Official Bulletin*, the law benefited from extensive consultations with civil society, translation into six languages, and—most important—a national campaign to take the basic messages of the law to the local level. Nongovernmental organizations and community service organizations have also been very active throughout the process, educating the public on citizen rights and raising awareness of the land law. Building capacity and training personnel have also been important. The Centre for Legal and Judicial Training, part of the Ministry of Justice, has trained community and district judges and prosecutors, district administrators, and paralegals to assist local communities.

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

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

**“ Though Mozambique has one of the most progressive and gender-sensitive land laws in Southern Africa, women continue to suffer discrimination in land rights**

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

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

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

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

Although the requirement for community consultations has been fulfilled in most private claims, the quality of the consultation process is usually very poor, either resulting in essentially unlawful occupation of someone else’s land or failing to produce real economic benefits at a level that can either maintain livelihoods or alleviate the poverty of beneficiaries.

The requirement for community participation has put local rights squarely on the agenda. But unless the failure to generate the local benefits expected from community consultations is addressed, the consultations may give land grabs by private investors a veneer of respectability by demonstrating compliance with the law and apparently safeguarding local needs and interests.

*Making women better off in claiming rights.* Mozambique is often said to have one of the most progressive and gender-sensitive land laws in Southern Africa. But women continue to suffer discrimination in land rights, partly because of a lack of information and awareness about their rights, partly because of continuing discriminatory customary practices, and partly because

administrative and judicial practices are still far from incorporating the norms and dynamics that the land law seeks to encourage. Women rarely actively participate in the consultations—partly because dealing with the outside world is considered a man's role in most rural areas. Women's marginalization is worsened by the limited consultation process, whose brevity hinders the opportunities for women's participation behind the scenes.

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

A more decentralized, accessible, and responsive local land administration system is needed, as are efforts to enhance local communities' and individuals' awareness of

the rights stipulated in the 1997 Land Law and their ability to realize them.

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

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