

Poverty in Mozambique

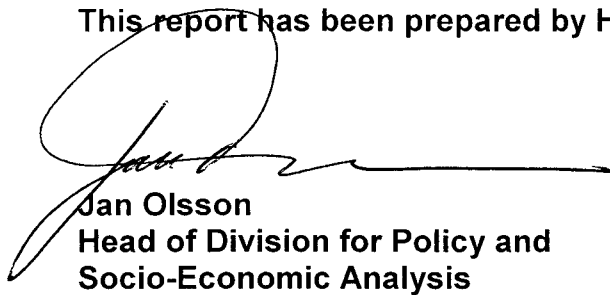
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SWEDISH INTERNATIONAL DEVELOPMENT
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This country economic report on Mozambique is part of a series of annual studies, which are undertaken by the departments of economics of three Swedish universities in collaboration with the regional departments of Sida, under an agreement with the Division for Policy and Socio-Economic Analysis. The purpose of these studies is to improve Sida's economic analysis and knowledge of the programme countries for Swedish development cooperation in order to enhance the effectiveness of programme as well as project support.

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Executive summary

Understanding Poverty and Well-Being in Mozambique: the first National Assessment

From February 1996 through April 1997 the Bureau of Statistics (INE) conducted the most ambitious household survey so far, the National Household Survey of Living Conditions (MIAF). This household survey, based on 8,274 households, is nationally representative, since it covers rural and urban areas of all the ten provinces of Mozambique. On the basis of the MIAF, the poverty assessment *Understanding Poverty and Wellbeing in Mozambique: the first National Assessment* was designed and implemented.

The *Poverty Assessment* is concerned with absolute poverty. Assumptions about sufficient daily calorie intake determine what is considered sufficient food requirement (approximately 2,150 kilocalories per day). Housing, education, and rent are examples of non-food items included in the study. The national poverty line was calculated to 5,433 Mt per person per day. The real mean monthly consumption per capita per year is estimated to be 160,780 MT (US\$ 170) which places the country among the poorest in the world. The national head count index indicates that 69.4 per cent or 10.9 million of the population are consuming on a lower level than defined by the poverty line and, consequently, could be considered as absolutely poor. Poverty turns out to be significantly higher in rural areas than in urban areas.

The Poverty Assessment concludes that even though other factors, such as the war, have had devastating effects for the living conditions of the Mozambican population, the poverty to a large extent is structural. Several areas are pointed out (Poverty Assessment 1998:91): “low levels of human capital, including low educational levels and the poor health of most of the population; low productivity in the agricultural sector, where most Mozambicans are employed; a weak physical infrastructure and a poor access to basic services, including potable water, health facilities, transportation, communications, and markets; high rates of fertility and corresponding high dependency ratios”.

The *Poverty Assessment* indicates that the regional differences of poverty are large. All poverty indexes indicate that the provinces of the central part of the country are poorer than the north and the south. Maputo stands out as the richest of the areas analysed. Another important conclusion is that the differences between the poor and non-poor for many of the analysed variables are quite small. The living conditions of those that consume enough to characterise them as non-poor are only marginally better than for the poor. For education and health care related variables differences based on gender and rural/urban turn out to be more important than differences based on consumption. The rural access to most services such as education, health services, markets, infrastructure etc. is much poorer than for the urban areas.

Simulations based on multivariate analysis shows that the variables that have the largest impact on consumption and poverty are those related to education. In particular education efforts directed to women seem to be important for reducing the poverty level. Besides education, the area with the largest importance for consumption and poverty is the number of household members. Increasing the dependency ratio for a household increases the poverty level through its negative effects on consumption. Furthermore the simulations show the economic infrastructure to have a large impact on rural poverty since, by increasing the

availability of services such as markets, banks, public telephones, etc., the consumption per capita increase substantially. Simulations show that economic growth has the potential to lower poverty significantly.

On the basis of the performed simulations and the results of the poverty profile, the *Poverty Assessment* points out six areas which should be part of a poverty reducing strategy for Mozambique (GoM 1998:182): increased investment in education; sustained economic growth; a sectoral pattern of growth favouring faster growth in the industrial and services sectors; measures to raise agricultural productivity; improved rural infrastructure; reducing fertility and dependency load within households.

Government programs

The Mozambican government has stated that their main medium- and long-term objective is poverty reduction. To achieve this objective the government is in the process of preparing a development program (DP), which is planned to cover five-year periods and with the purpose to provide a general framework for the government's medium-term policies (GoM 2000:12). The *PARPA* is one of several Government planning documents. The *PARPA*, which was prepared by several governmental ministries under the leadership of the Ministry of Planning and Finance, is considered to be the first attempt to provide a comprehensive policy instrument with the explicit purpose of fighting poverty.

The *PARPA* is linked to the *Action Guidelines*, which specifies the mechanism for evaluation, co-ordination and funding measures for eradicating poverty. The *Action Guidelines* concludes that in order to achieve this goal economic growth and investment in human capital are fundamental preconditions. The general objectives presented in the *Action Guidelines* are complemented with the specific objectives and targets in the *PARPA*, which can thus be seen as a way to operationalize the intentions of the *Action Guidelines*. To the global objective stated in the *Action Guidelines* of Mozambique to reduce the incidence of absolute poverty to 50 percent in ten years, the *PARPA* adds an interim objective to reduce the incidence level to around 60% by the year 2004.

The *PARPA* is multi-dimensional since it, on the one hand, defines programmes and activities for all levels of the Mozambican society (national, provincial, sectoral and local) and, on the other hand, covers economic, social, political and cultural aspects. It is also comprehensive in the sense that it not only identifies the objectives of poverty reduction but also specifies the targets that have to be achieved and the indicators that have to be monitored in this process.

The *PARPA* consists of five parts where the three first parts present the global objective of poverty reduction, the profile and determinants of poverty, the demographic and macro economic setting, and the efforts made so far to create a favourable economic environment. The specific poverty reducing objectives and targets, inclusive of detailed sector matrices, are presented for the period 2000–2004 in the fourth part. In the final part the indicators for monitoring the achievement of the *PARPA* objectives are listed.

In order to achieve the poverty reduction target, nine intermediate objectives related to different sectors of the Mozambican economy have been defined: to keep a fast and sustainable growth; to develop human capital through investments in education, health, access to safe water and sanitation; to increase agricultural productivity in the household sector; to develop and improve rural infrastructures; to protect the most vulnerable groups; to promote employment and self-employment; to improve the institutional and technical capacity in

poverty matters; to improve the allocation of available resources and external aid; and to reduce regional asymmetries (GoM 2000:Table 1).

Each of the intermediate objectives corresponds to a number of specific objectives, which together with targets and government programs are specified in the *PARPA*. The objectives are co-ordinated with the strategic sector plans and will be updated each year. The purpose of the *PARPA* is to co-ordinate poverty reducing activities in the various sectors defined in the strategic sector plans.

Since the *PARPA* points out that poverty is multi-dimensional, “it requires the involvement of a variety of institutions in the formulation of strategies and programmes to fight poverty, and in monitoring and evaluating their implementation” (GoM 2000:75). The strategy will involve various institutions, besides the governmental, in the planning, formulation, monitoring and evaluating. Among groups mentioned by the government are the private sector, represented by the business community, civil society and NGOs, academic and research institutions and the Mozambican press.

The progress of the *PARPA* will be monitored on both annual and five-year bases. The different sectors will be monitored each year. To be able to evaluate and monitor the progress of the program, indicators have been defined which will cover all steps in the process.

Swedish aid in a Mozambican context

In terms of disbursement Mozambique is one of the largest of Sweden’s development co-operation partners. The explicit purpose of Swedish development co-operation with Mozambique is poverty alleviation and strengthening of democracy. The main objective of Swedish development co-operation is poverty fighting. The main objective is broken down into six targets, which should be co-ordinated in order to reach the main objective.

The focus on the creation of an environment suitable for poverty reduction is also reflected in the Swedish anti-poverty profile which emphasises measures in areas such as the promotion of democracy, human rights and good governance; equitable growth, human capacity and opportunities, ensuring individual security for the poorest and most vulnerable groups and support in connection with the solving of conflicts and disasters.

Swedish development co-operation with Mozambique implies an annual grant disbursement of about MSEK 500 (MUSD 50) each year. Besides supporting specific sectors, a large share of the Swedish development assistance is directed to balance of payment support and debt relief. Democracy and human rights are other areas that receive Swedish support. As part of its poverty alleviating strategy Sweden wishes to direct its support to northern and central Mozambique. In particular the Niassa province is targeted for integrated support. The sectors that receive support are education, research, roads, energy, agriculture, culture, public administration, and the private sector.

The general objectives of Swedish and Mozambican development strategies are obviously the same: to reduce poverty in the short term and eradicate it in the long term. On a principle level it is also possible to find good correspondence between the six Swedish intermediate targets of aid and the Swedish poverty profile on the one hand, and the intermediate objectives of the *PARPA* on the other hand.

Almost all Swedish aid to Mozambique can be categorised according to the objectives of the *PARPA*. One reason for this high correlation is evidently that the objectives of the *PARPA* are not very controversial and to a large extent express already existing knowledge about Mozambican poverty. Before the *PARPA* there was an understanding that it is necessary to promote growth, develop human capital, improve infrastructure, decrease urban/rural disparities, etc. in order to decrease poverty. The contribution of the *PARPA* can instead be found in its comprehensive approach, which aims at involving all stakeholders, including the donors, in the poverty reduction process. The large challenge for Sweden and other donors lies in effectively co-ordinating support with each other and with the efforts of the Government and other donors.

Conclusions

What then is new in the suggested poverty reduction strategies of the Mozambican *PARPA*? First, there now is a comprehensive strategy for fighting poverty in the sense that it covers all aspects and sectors of society with objectives and targets defined for most areas. However, the comprehensiveness of the *PARPA* also raises questions about capacity constraints. On the one hand it can be argued that, even though the comprehensive view on the poverty problem expressed in the *PARPA* basically is positive, it may pose a potential problem due to its capacity requirements. On the other hand, since most Ministerial activities still have to be planned, implemented and administrated irrespective of the existence of the *PARPA*, it can be questioned whether capacity savings would be very large without this strategy. Furthermore, the Mozambican lack of administrative capacity is explicitly taken into account in the formulation of the *PARPA* objectives.

Second, the *PARPA* stresses the importance of disseminating the strategy to the population, which is reflected in what appears to be a genuine commitment of the Government to involve all parts of the Mozambican society in these efforts. The public sector, business society, civil society, religious organisations, NGOs etc. are all expected to contribute in order to execute the poverty reduction strategy. So far the participation process has been slow and it can consequently be suspected that knowledge of the content of the poverty reduction strategy outside the Government is limited. However, improvements in this respect hopefully can be expected since the Government, at the end of year 2000, presented a consultation action plan for the continued dissemination and participation process of the *PARPA/PRSP*.

Third, all stakeholders agree on the necessity of domestic ownership of the poverty reduction strategy. Both the Government and the multilateral donors acknowledge full Mozambican ownership to the poverty reduction strategy as expressed in the *PARPA*. Fourth, there now seems to be an interest both from the Mozambican side and from all the major donors' side to co-ordinate the poverty reduction efforts and resources. The downside of the proposed donor co-ordination is that there is a risk of a "ganging-up" effect and that the donor co-ordination will result in a strain on the administrative capacity.

Introduction¹

Mozambique is among the lowest-ranked countries in terms of measures of poverty, irrespective whether these measures are qualitative or quantitative. The GDP per capita of Mozambique is one of the lowest. Other indicators of well being, such as education, health, clean water etc. also put Mozambique among the least well-off countries of the world.

Even though the existence of poverty in Mozambique is obvious there have been split views about the size and determinants of the poverty. One reason for these different points of view has been the lack of reliable data of living conditions of the population. The surveys that have been conducted have been too limited, both with respect to their sample size and geographically. However, in 1996/97 the governmental statistical institute (INE) conducted a comprehensive household survey – the *National Household Survey of Living Conditions (MIAF)* – that covered the entire country.

Based on the statistics of the *National Household Survey* in 1999 the poverty assessment “*Understanding Poverty and Wellbeing in Mozambique: the first National Assessment*” (*Poverty Assessment*) was published. The *Poverty Assessment* then became the basis on which the government formulated their strategy the *National Action Plan for the Reduction of Absolute Poverty 2000–2004 (PARPA)* for fighting poverty and which is included as the most important part of the interim-PRSP.

This study, which gives a description of poverty in Mozambique on the basis of these Mozambican documents, is organised into four sections. In the first section the poverty situation in Mozambique is described based on the results of the *Poverty Assessment*. The second presents the action taken by the government to reduce poverty. The third section discusses the principles and forms of Swedish aid to Mozambique. Finally, the last section analyses how well the Swedish development co-operation is adapted to the poverty reducing needs of Mozambique.

Understanding Poverty and Well-Being in Mozambique: the first National Assessment

From February 1996 through April 1997 INE conducted the most ambitious household survey so far, the *National Household Survey of Living Conditions (MIAF)*. This household survey, based on 8,274 households, is nationally representative, since it covers rural and urban areas of all the ten provinces of Mozambique.

Besides the principal questionnaires, the household survey uses both daily household and personal expenditure questionnaires. The administrative divisions for urban areas are ‘distrito’

¹ I would like to thank Maude Svensson, Karin Sverkén, Karin Andersson and seminar participants in Maputo and Stockholm for valuable comments and suggestions on an early draft of this manuscript. Further, I would like to express my gratitude to officials and staff of the Mozambican Government, the Bank of Mozambique, various embassies, banks and organisations in Maputo for providing valuable and useful information. A special thank you is due to Kenneth Simler who has read and commented on the full manuscript of an earlier version of this paper.

(district), 'bairro' (neighbourhood/ward) and 'quarteirão' (block) and for rural areas 'distrito' (district), 'posto administrativo' (administrative post), 'localidade' (locality), and 'aldeia' (village).

On the basis of the MIAF, the Ministry of Planning and Finance, Government of Mozambique, the Eduardo Mondlane University, and the International Food Policy Research Institute (IFPRI) designed and implemented the poverty assessment *Understanding Poverty and Wellbeing in Mozambique: the first National Assessment* which was presented in April 1999. The *Poverty Assessment* in turn constitutes the basis for the *Action Plan for the Reduction of Absolute Poverty (PARPA)* (2000) (see next section).

The *Poverty Assessment* is divided into three parts, reflecting different aspects of poverty and welfare. Poverty is defined as a measure of the inability of a population to reach a minimum level of well being where well being is an indicator of individual welfare. What then determines the individual welfare? One important determinant obviously is the possibility of consuming various goods and services. Consequently, the first part of the *Poverty Assessment* analyses Mozambican poverty in terms of the purchasing power of its population. However, the *Poverty Assessment* also acknowledges that other factors than consumption, such as good nutrition and health, literacy, access to clean water, and a safe and secure living environment, are important in determining welfare. The second part of the *Poverty Assessment* provides empirical evidence on the determinants of nutrition and food security and education. The consumption and non- consumption aspects of welfare and poverty are obviously not isolated from each other. On the one hand, higher income and thereby consumption possibilities increase the likelihood of achieving adequate education and nutrition while, on the other hand, a higher level of education and intake of nutrition increase the probabilities of getting a well paid job.

The third part of the *Poverty Assessment* addresses the question of how individual welfare, both consumption and non-consumption determined, is affected by transfers and social and economic safety nets within the Mozambican society. Here the *Poverty Assessment* studies both the traditional informal transfer and safety net system, based on kin and friendship, and the modern formal system, initiated by the government.

Welfare as a function of consumption

In its first part, the *Poverty Assessment* chooses consumption per capita as its indicator of individual welfare, and thereby also of poverty. It is argued that consumption reflects realised welfare and therefore is a better indicator of welfare than for example income, which expresses potentially achievable welfare.

Consumption

To measure aggregate consumption the *Poverty Assessment* draws on the results of the household survey. Both consumption of food and non-food items are included with the latter consisting of both direct expenditures and imputed user values.²

² Examples of imputed values are rent and use-value of durable goods.

Food prices are seasonally adjusted due to significant temporal variation in all regions. Non-food prices are assumed to be temporally stable, which is motivated by lack of data, no seasonal patterns, and low inflation for the year of the household survey.

Based on data of the MIAF, the consumption pattern in Table 1 shows how consumption is divided into different food and non-food commodities. Not surprisingly, it turns out that the largest share of expenditures goes to the consumption of food, on average, more than 60 per cent of total consumption. The second largest expenditure item – use value of durable goods constitutes 12 per cent of total consumption.

Table 1 Components of aggregate consumption and average shares

	Percentage of total consumption
Food	61.91
Use value of durable goods	12.34
Non-foods from daily expenditure questionnaire (mostly energy)	9.1
Housing, including imputed values	6.04
Trimestral non-food expenditures	5.51
Monthly non-food expenditures	3.55
Water and energy	0.87
School books	0.35
School fees	0.22
Transfers paid	0.08
Water from daily expenditure questionnaire	0.04
Total	100

Source: GoM 1998 (Table 1.6)

Poverty lines

Next, the *Poverty Assessment* defines a level of consumption of food and non-food items that is assumed to be sufficient to attain a minimum level of well being. Following from the definition of poverty, this level of consumption, which forms the poverty line threshold, can be used to characterise people as poor or non-poor. The *Poverty Assessment* is concerned with absolute poverty, which implies that the level of consumption that corresponds to the minimum requirement is fixed. Assumptions about sufficient daily calorie intake determine what is considered sufficient food requirement (approximately 2,150 kilo-calories per day). Housing, education, and rent are examples of non-food items included in the study.

Poverty lines for Mozambique are constructed in the *Poverty Assessment* on the basis of the costs of basic need methodology, which implies that the total poverty lines are derived from the food and non-food poverty lines. Thus, the poverty lines show the amount of money needed in order to satisfy the minimum requirements of both food and non-food consumption.³

The national poverty line was calculated to 5,433 Mt per person per day. However, since costs and living conditions differ considerably in various parts of Mozambique, one single poverty

³ For example, if it is assumed that a person at least requires a calorie intake corresponding to 3,500 Meticaïs and consumption of non-food amounting to 1,500 Meticaïs per day, the poverty line will be 5,000 Meticaïs per day.

line is not considered to be representative for the entire country. Since the available data is not sufficient to create one poverty line for each province poverty lines are constructed for different geographical domains where each domain consists of one or two provinces. In the construction of the domain poverty lines, differences in prices and consumption pattern as well as rural/urban differences are recognised.

Table 2 Food, non-food, and total poverty lines, and spatial price index

	• Food poverty line	• Non-food poverty line	• Total poverty line	• Spatial price index
Niassa & Cabo Delgado – Rural	• 3011,47	• 1011,24	• 4022,71	• 0,74
Niassa & Cabo Delgado – Urban	• 3686,83	• 1747,53	• 5434,36	• 1,00
Nampula – Rural	• 2742,00	• 617,17	• 3359,16	• 0,62
Nampula – Urban	• 3642,28	• 1306,57	• 4948,86	• 0,91
Sofala & Zambezia – Rural	• 3718,80	• 1134,75	• 4853,55	• 0,89
Sofala & Zambezia – Urban	• 5369,80	• 2230,26	• 7600,06	• 1,40
Manica & Tete – Rural	• 3845,31	• 868,07	• 4713,38	• 0,87
Manica & Tete – Urban	• 5548,39	• 1865,99	• 7414,38	• 1,36
Gaza & Inhambane – Rural	• 4971,20	• 1461,70	• 6432,90	• 1,18
Gaza & Inhambane – Urban	• 5713,96	• 2112,79	• 7826,75	• 1,44
Maputo Province – Rural	• 5418,00	• 1898,18	• 7316,17	• 1,35
Maputo Province – Urban	• 6047,09	• 2666,80	• 8713,89	• 1,60
Maputo city	• 6192,15	• 2349,33	• 8541,48	• 1,57

Source: GoM 1998 (Table1.12)

The derived poverty lines and price indexes indicate large differences between the different domains. Two patterns can be discerned. First, in the southern domains of Mozambique particularly food poverty lines, but also non-food poverty lines, tend to be at a higher level than in the northern domains of the country. Second, due to higher prices of basic need goods in the cities, the level of both food and non-food poverty lines are higher in Maputo and in the larger cities than in rural areas. This implies that the amount of Meticaís necessary to achieve the level of calories and non-food necessities defined by the poverty lines is higher in the south and urban areas relative to the north and rural areas, respectively.

Poverty indexes

Three different indexes are used to measure poverty: The head-count index shows the percentage of the population in households with a consumption per capita less than the poverty line. A shortcoming of this index is that it does not take into account the degree of poverty, i.e. it does not measure how low consumption is in relation to the poverty line. Therefore the head count index is complemented by the poverty gap and the squared poverty gap indexes. Both these indexes, which are calculated on the basis of the differences between the poverty line and per capita consumption, differ in that the squared poverty gap index gives extra weight to the poorest part of the population in the sample .

Poverty profile

On the basis of the three poverty indexes and the domain poverty lines, a poverty profile for Mozambique was created for the period 1996–97. The poverty profile characterises Mozambican poverty and gives a picture of its size and distribution across socio-economic groups.

The real mean monthly consumption per capita per year is estimated to be 160,780 MT (US\$ 170) which places the country among the poorest in the world.⁴ The national head count index indicates that 69.4 per cent or 10.9 million of the population are consuming on a lower level than defined by the poverty line and, consequently, could be considered as absolutely poor. The high level of poverty was confirmed by the poverty gap and squared poverty gap indexes (see Table 3). Poverty turns out to be significantly higher in rural areas than in urban areas. About 82 per cent of the poor live in rural areas as compared to 80 per cent of the total population. This is reflected in national head count indexes that are 71.2 and 62.0 per cent for the rural and urban population, respectively.

Table 3 Regional poverty estimates

	Population share %	Head count index	Poverty Gap Index	Sq. poverty gap index
Rural	80	71	30	16
Urban	20	62	27	14
North	32	66	27	14
Centre	43	74	33	18
South	25	66	27	14
Maputo	6	48	16	8
National	100	70	30	16

Source: GoM Table 2.1

The different poverty indexes are also calculated on a provincial level (Table 4). The analysis shows significant differences in poverty between different provinces. In Sofala, the poorest province, 88 per cents of the population are poor. Inhambane and Tete are other poor provinces with head count indexes of 83 and 82 per cent respectively. These provinces can be contrasted with Cabo Delgado and Manica with the head count indexes of 57 and 63 per cent respectively. Maputo City is the “richest” of the studied areas with a headcount index of 48 per cent.

⁴ New statistics indicates that annual consumption has increased to US \$230.

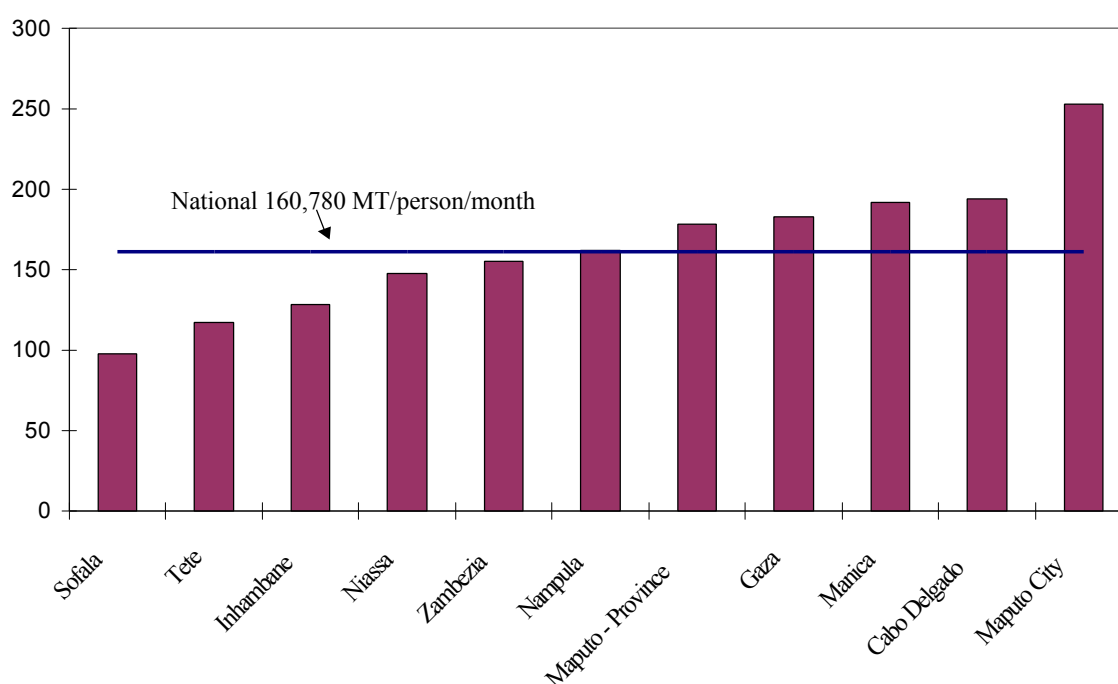
Table 4 Provincial poverty estimates

	Head count index	Poverty gap index	Squared poverty gap index
Niassa	71	30	16
Cabo Delgado	57	20	9
Nampula	69	29	15
Zambezia	68	26	12
Tete	82	39	22
Manica	63	24	12
Sofala	88	49	32
Inhambane	83	39	21
Gaza	65	23	11
Maputo – Province	66	28	15
Maputo City	48	16	8

Source: GoM 1998 (Table 2.3)

These figures, which are supported by the poverty gap and squared poverty gap indexes, imply a regional pattern of poverty where the central part of the country is the poorest while the north and the south are more or less equally poor (Table 3). The *Poverty Assessment* points out that the north is less poor than the south if Maputo City is excluded from the analysis. The mean provincial consumption levels (Figure 1) also illustrate this regional inequality. That poverty in the north is relatively low is somewhat surprising considering the distance of this region from the political and economic centre of the country. As mentioned above, lower prices in the north provide one important explanation of the relatively lower level of poverty in this region.

Figure 1 Mean provincial consumption (MT/person/month)



Source: GoM 1998 (Table 2.3)

The three indexes are also calculated for two ultra-poverty lines, where the first is defined as 60 per cent of the reference poverty line, and for the second the food poverty line is used. The head count indexes for the ultra-poverty lines are 37.8 and 53.4 per cent, respectively. Head count indexes indicates that ultra-poverty is higher in rural than in urban areas. However, this result is not significant.

Next the *Poverty Assessment* analyses how poverty is associated with a number of social characteristics (GoM 1998:61). The analysis is bivariate which implies that it does not control for other variables and that it is not possible to say anything definite about the causality between poverty and the social characteristics.

Household size: Household size is correlated with poverty, i.e. poor households are larger than non-poor ones. In poor households the average household size is 5.6 persons which can be compared with 4.8 person in the national average household. This relationship between poverty and household size is less accentuated in urban than in rural areas. The dependency ratio, i.e. the ratio of ‘unproductive’ or dependent household members to total household size tends to be larger for poor households. Thus, poor households on average have more children than non-poor households. In addition household heads tend to be older in poor than in non-poor households.

Household composition and structure: Female-headed households in Mozambique are less poor than average households. At 10 per cent significance level it is shown that a smaller share of all poor (16.8 per cent) than of non-poor (18.9) lives in female-headed households. However, female-headed households are heterogeneous and can roughly be divided into two groups. The first group consists of female-headed households that are as well off or even better off than male-headed households. These households consist of women with a good social position and, even though the husband is absent due to, for example, labour migration, continue to support the family. The second group of female-headed households consists of socially and economically vulnerable women who are divorced or for other reasons have to manage by themselves.

Education: The relationship between poverty and education is analysed separately for adults and school-age children. When it comes to literacy there are big differences between the rural and urban populations. Among rural adults only 32 percent are literate while the corresponding figure for urban adults is 71 per cent. It is concluded that education, on all levels, is negatively correlated with poverty. However, the difference in education between poor and non-poor is less than the differences between regions and between sexes.

Employment and composition labour force: According to the answers to household survey questions about employment, the largest share of Mozambicans (44.3 per cent) answered that they “worked for some form of payment in the preceding week” (GoM 1998:69). At the national level a larger share of non-poor than poor tend to be working and attending school. The non-poor, on the other hand, are over-represented when it comes to helping the family without payment and unpaid domestic work. Furthermore, the answers show that almost nobody considers him/herself unemployed (only 0.8 per cent of the persons questioned claimed to be unemployed). As with education there are differences between rural and urban areas. The national bias of more non-poor than poor working for pay is reflected at the rural level, while in the urban areas there is no differences in this respect. Instead, it is the number of dependants and the level of wages that differentiate the poor from the non-poor.

Poverty and sector of employment: The importance of agriculture for the Mozambican economy is shown in the fact that 89 per cent of all Mozambicans are employed in this sector. Among the poor and non-poor the corresponding figures are 91 per cent and 84 per cent, respectively. In the rural areas the dominance of the agricultural sector is even larger: 95 per cent of all Mozambicans in these areas are employed in the agricultural sector with just a small difference between the poor and non-poor. In urban areas the differences between the poor and non-poor are larger even though agriculture in these areas is also the dominating sector. In urban areas 29 per cent of the non-poor and 67 per cent of the poor are employed in agriculture. Commerce and services, public services, and industry and mining are other important sectors in the urban areas.

Landholding and farming characteristics: Almost 90 per cent of all households have at least one plot of land (machamba) and more than 60 per cent have more than one plot. In the rural areas almost all households have at least one plot of land which can be compared to about 55 per cent in the urban areas. It is more common among poor than non-poor households to be in the possession of land. Overall, the agricultural productivity is low with non-poor households tending to use more equipment and irrigation than the poor.

Health and nutritional status: Between 1 and 2 per cent of the population have some form of disability. More people use health services in urban than in rural areas and the utilisation of these facilities is higher by the non-poor than by the poor. Both groups tend to seek treatment from the formal medical system. In rural areas access to health services is more or less the same for poor and non-poor. In these areas the likelihood that the non-poor seek formal medical treatment is larger than for the poor.

Proximity and access to public and private services: Access to public and private services such as school, health facilities, markets, post office, public telephones, water and sanitation is more or less equally limited for poor and non-poor in rural areas.

Measures of welfare not based on consumption: Poverty is also compared to some other welfare measures not based on consumption. On a national level it is shown that the illiteracy rates of men and women are 42.4 and 74.6 per cent respectively. The illiteracy rate is significantly higher in rural than in urban areas both for men and women. About 43 per cent of all Mozambicans suffer from chronic malnutrition (stunting). The rural areas are also worse off in this respect: 48.1 per cent of rural Mozambicans suffer from chronic malnutrition compared to “only” 27.6 per cent of the population in the urban areas. Almost 80 per cent of all Mozambicans do not have access to safe water. The infant mortality rate (IMR) is 147 children per 1000 live births. Analyses indicate that the incidence of consumption-based poverty has relatively high correlation with IMR and access to safe water ((0.6–0.8) and relatively low correlation with adult illiteracy rates and stunting (0.2–0.3).⁵ The low correlation between the latter variables and the incidence of consumption-based poverty shows the importance, as the *Poverty Assessment* points out, of not relying on only one welfare indicator in the formulation of welfare policy.

⁵ The *Poverty Assessment* uses the estimates of the Demographic Health Surveys (DHS) from 1997 as a measure of the IMR. These estimates show high IMR for the provinces that are poorest according to the consumption-based poverty analysis, i.e. Sofala, Tete, Inhambane and Nampula.

Conclusions – Poverty profile

The *Poverty Assessment* concludes that even though other factors, such as the war, have had devastating effects for the living conditions of the Mozambican population, the poverty to a large extent is structural. Several areas are pointed out (GoM 1998:91):

“low levels of human capital, including low educational levels and the poor health of most of the population”

“low productivity in the agricultural sector, where most Mozambicans are employed”

“a weak physical infrastructure and a poor access to basic services, including potable water, health facilities, transportation, communications, and markets”

“high rates of fertility and corresponding high dependency ratios”.

The *Poverty Assessment* indicates that the regional differences of poverty are large. All the poverty indexes indicate that the provinces of the central part of the country are poorer than the north and the south. Maputo stands out as the richest of the areas analysed.

Another important conclusion is that the differences between the poor and non-poor for many of the analysed variables are quite small. The living conditions of those that consume enough to characterise them as non-poor are only marginally better than for the poor. For education and health care related variables differences based on gender and rural/urban turn out to be more important than differences based on consumption. The rural access to most services such as education, health services, markets, infrastructure etc. is much poorer than for the urban areas. In both rural and urban areas it is more common that boys attend school than girls. Consequently the *Poverty Assessment* concludes that instead of trying to target the poor (who are difficult to distinguish from the non-poor) with aid measures, it might prove more useful to direct interventions directly to rural areas or to girls.

Determinants of poverty

The poverty profile presents correlates of poverty with other variables. However since the analysis is bivariate it gives a simplified description of the relationship between poverty and these variables. In order to overcome this shortcoming and to be able to define the determinants of Mozambican poverty a multivariate analysis is performed. The determinants of poverty are modelled through a two-step procedure. Since, as in the presentation of the poverty profile, it is assumed that welfare and thereby also poverty are determined by the level of consumption, in the first step the determinants of the log of real consumption at household level are modelled. In the second step the derived estimates together with the poverty lines are used to define poverty. Separate estimations are performed for rural regional based samples (North, Central and South) and for urban samples (large cities and other urban areas). The following determinants are used in the simulations (GoM 1998:156):

Demographic characteristics. This category includes the size and composition of the household. Different age categories are included where the one that represents productive adults (18–59 years of age) is split by gender. Women who have their first child before the age of 16 form a special variable since the poverty profile shows that this group is strongly correlated with

poverty. Mental or physical disabled adults are also included as potential determinants of poverty.

Education. This category of determinants includes variables based on the ability to read and write. The number of adults with primary or other higher education is also included as separate variables. The estimations account for the gender aspect.

Employment. In this set of variables the number of adults employed in each household, the diversification of income and the sector of employment are included.

Agriculture, land and livestock. Variables in this category are the size of plots cultivated, the type of crops cultivated, and the possession of livestock. A dummy variable is included to account for the use of irrigation, fertilisers, and different forms of equipment.

Community characteristics and access to services in rural areas. The effects on consumption of the availability of public services are covered with two indexes where the first includes infrastructural facilities such as banks, markets, agriculture-livestock extension centres, post-offices, public telephones, and improved or paved dirt roads and the second health facilities such as the presence of doctors, nurses, health centres or sanitary posts.

Rural determinants of consumption and poverty

The model of the rural sector shows good fits with R^2 of above 0.5. Starting with the demographic characteristics, the estimated parameters are negative, and highly significant for the variables measuring the number of people, disaggregated by age and sex, in the households. This result corresponds with the result of the poverty profile that shows a negative relationship between household size and per capita consumption. For all regions, female-headed households have lower consumption per capita than male-headed households. The age of the household head does not have any significant effect on the consumption per capita while the number of disabled persons has a negative effect. All the variables in the education category have positive signs even though not all of the variables are significant. We can therefore expect increased education to have a positive effect on consumption per capita.

Not too surprisingly the employment variables, i.e. the number of adults employed in different economic sectors – show a positive association with consumption per capita. Among the agricultural variables only the dummy representing the number of livestock has a positive and significant coefficient. Irrigation and production of commercial crops have the expected positive signs but are not significant. The size of the land plots seems to be of minor importance for consumption per capita. This variable is only significant in the northern region of the country. Both the infrastructure and the health indexes show the expected positive signs, even though statistically not significant, indicating that these kinds of services have a positive effect on the consumption per capita.

Urban determinants of consumption and poverty

With an R^2 of above 0.5 the fit of the model for the urban determinants is good. The household size and age variables have the expected negative association with consumption per capita and the education variables show their expected positive signs. However, while the demographic variables are statistically significant this is not always the case for the education variables. The coefficients of the employment variables show a mixed result. Only employment in the services sector shows a significant positive sign. The coefficients for the other sectors are insignificant. Among the agricultural variables, livestock, irrigation and the use of equipment show a significant positive association with consumption. The coefficient of the size of the area cultivated is significant.

The simulations

The effects of changes in the determinants are derived through a number of simulations of the model. In total 23 simulation are made in which the impact on consumption and the different poverty indexes are studied. The simulations show that poverty reducing measures could be expected to have the largest effect in five areas: education, implementation of modern equipment in agriculture, labour movements, dependency ratio changing measures and the improvement of economic infrastructure.

The variables that have the largest impact on consumption and poverty are those related to education. In particular education efforts directed to women seem to be important for reducing the poverty level. For example by increasing the number of females in households that are literate by one, increases consumption per capita by 8.7 per cent and reduces the poverty headcount indexes by 7.2 per cent. The effects of increasing the number of females that have finished primary school are even more impressive: consumption per capita increases by 29.6 per cent and reduces the poverty headcount indexes by 23.2 per cent. Consequently, the results indicate that education of women has large poverty reducing effects. Furthermore, the simulations show that, second to the education of women; the largest effect on consumption and poverty is achieved through the education of men. By increasing the number of males in households that are literate by one, consumption per capita increases by 3.7 per cent and reduces the poverty headcount indexes by 3.1 per cent. The corresponding figures for increasing the number of males that have finished primary school are 16.0 and 12.7 per cent, respectively.

Table 5 Total changes in consumption and poverty level (simulation results)

	% change in real consumption per capita			% change in poverty headcount		
	Rural	Urban	National	Rural	Urban	National
Increase by 1 the number of adult males who are literate	4.5	1.1	3.7	-3.5	-1.1	-3.1
Increase by 1 the number of adult females who are literate	8.1	10.3	8.7	-6.5	-10.4	-7.2
Increase by 1 the number of adult males who have completed primary school	16.3	15.0	16.0	-12.5	-13.8	-12.7
Increase by 1 the number of adult females who have completed primary school	28.9	31.6	29.6	-22.1	-28.1	-23.2
Ensure that at least one adult completes primary school	24.3	21.2	23.6	-18.4	-19.7	-18.6
Households with any land adopt modern agricultural inputs	5.2	3.8	4.8	-4.1	-3.6	-4.0
Move one adult from agricultural sector to service sector	4.3	2.2	3.8	-3.7	-2.3	-3.4
Add one child to the household	-15.3	-14.7	-15.2	12.5	12	12.4
Add one adult male to the household	-12.1	5.1	-8.6	10.0	-0.6	7.8
Add one adult female to the household	-14.5	-9.4	-13.5	12.1	9.0	11.4
Improve economic infrastructure	13.9	N/A	11.0	-10.5	N/A	-8.4

Source: GoM 1998 (Table 3.6)

N/A =Not applicable for urban areas

Besides education, the area with the largest importance for consumption and poverty is the number of household members. Increasing the dependency ratio for a household increases the poverty level through its negative effects on consumption. Furthermore the simulations show the economic infrastructure to have a large impact on rural poverty since, by increasing the availability of services such as markets, banks, public telephones, etc., the consumption per capita increase substantially. In general, the simulations show the agricultural determinants to have a relatively small effect. For example increases in the landholding only marginally affected consumption and poverty. The only agricultural determinant with a larger impact is the one checking for the use of modern agricultural inputs. The largest effect of this determinant is achieved for land holdings larger than 1Ha.

Simulations are also made on the basis of economic growth. In the first simulation consumption per capita is allowed to increase at the same rate, 6.5 per cent, as the real GDP per capita growth over the decade 1987–96. The simulations show that this low rate of growth could only have marginally affected poverty, since as a result of the simulation the poverty index only decreases by 4.4 per cent. The model also tests for the effects of future growth. These simulations show that economic growth has the potential to lower poverty significantly. Several simulations assuming a 7.7 per cent annual growth in real consumption per capita are made.⁶ In the distribution-neutral case this growth rate would in 5 years decrease the headcount index by 39.5 per cent. Simulations are also performed allowing for the possibility that growth in consumption would increase faster for the non-poor than for the poor. Even so, assuming that consumption per capita for non-poor households increases twice as fast as for poor households still implies that the head count index fall by more than 30 per cent.

⁶ The figure 7.7 per cent is derived from the government's five year growth projections. Recent projections have indicated that growth will be considerably lower.

On the basis of the performed simulations and the results of the poverty profile, the *Poverty Assessment* points out six areas which should be part of a poverty reducing strategy for Mozambique (GoM 1998:182):

increased investment in education,
sustained economic growth,
a sectoral pattern of growth favouring faster growth in the industrial and services sectors,
measures to raise agricultural productivity,
improved rural infrastructure,
reducing fertility and dependency load within households.

Poverty Assessment – summary

The result of the *National Household Survey* has been criticised on the grounds that the questionnaires are too detailed. Another shortcoming of the household survey is the insufficient way the answers to the questionnaires were followed up and checked. The *Poverty Assessment* has also been subjected to this criticism since it uses the data of the household survey for its analysis.

In evaluating these documents it is important to remember that they are the first of their kind in Mozambique. Even though they are afflicted with methodological shortcoming, they are truly important since they give the first comprehensive view of poverty in Mozambique. Thus, instead of focusing on their shortcomings they should be seen as a first attempt to describe poverty in Mozambique. The intention is that the *National Household Survey* will be followed up by new household surveys.

The *Poverty Assessment* does not pretend to have succeeded in determining the exact levels and distributions of poverty, which would have been an impossible goal given the methodological shortcomings. However it still gives a good picture of the poverty profile and points out the most important determinants of poverty.

In conclusion, the *Poverty Assessment* gives the best available picture of Mozambican poverty. In order to formulate a poverty reduction strategy with the potential to successfully attack Mozambican poverty, it is necessary to base it on the results of the *Poverty Assessment*. We will now see to what extent the government bases its poverty reducing strategies on the result of the *Poverty Assessment*.

Government programs

The Mozambique government has stated that their main medium- and long-term objective is poverty reduction. To achieve this objective it is acknowledged that it is necessary to create conditions for a rapid and sustained economic growth that is sufficiently broad and widespread to benefit the poor.

The Development Plan

In order to achieve the poverty reduction objective the government is in the process of preparing a development program. This medium-term development program (DP) is planned to cover five-year periods. It will be a rolling management instrument that will constantly be adapted to “the latest knowledge on the economy and society, the dynamics of policy management and any advances in technology that may occur, lessons about the efficacy of different policies, to guarantee the best and most rapid approach to achieving the program objectives, and the absorption of insights from consulting with civil society” (GoM 2000:5).

The Government's Program for 2000–04, which was approved by the Assembly of the Republic (AR) in March 2000, will be the basis for the development program. The Development Plan will be adjusted on an annual basis.

Besides the medium and long-term objectives there are also more immediate challenges that compete for the government's resources. In the Mozambican government's point of view these challenges can be divided into three groups. First there are the reconstruction needs after the rains and floods earlier this year that have to be attended to. This question is addressed through the Government's Post-Emergency Reconstruction Program (PERP). Second there is the task of ensuring the normal functioning of the economy. These issues are addressed in the Economic and Social Plan (PES) and in the State Budget (OE) for the year 2000. The third current challenge is to continue with development which implies that it is important to link the PERP and the efforts for ensuring the normal functioning of the economy to the development program. The government emphasises that the present challenges, even though important, should not be allowed to interfere with the medium- and long-term poverty reducing objectives.

The government intends to secure the fulfilment of these objectives through implementation of policies that, besides poverty reduction (see section about the *PARPA*), will result in accelerated economic growth and a stable macroeconomic framework.

In order to secure rapid and sustained economic growth the government intends to implement policies and actions in the following areas: developing human capital, rehabilitating of basic infrastructure, macroeconomic and financial stability, liberalising trade, strengthening the legal and judicial system and ensuring public security, simplifying bureaucratic processes, improving domestic production policy, strengthening institutional capacities of the public sector, reducing regional asymmetries, and actions through SADC to explore possibilities for regional development as a vehicle of growth. (GoM 2000:5–8)

With a successful implementation of these policies and if new uncontrollable shocks, like the floods earlier this year, can be avoided, the government believes that a macroeconomic framework that supports an annual average growth rate of 8–9 percent per year is attainable. To achieve this goal the Government consider it fundamental to develop sectoral development policies that should include: (i) the principal objective of the sector and its impact on poverty reduction; (ii) the objectives that will be pursued to achieve the principal objective, and the corresponding identification of activities to be produced; and (iii) the volume of resources to be used, both financial and human (GoM 2000:11). Efficiency will be increased through capacity improving measures. Off-budget expenditures will be included in the sector budgets in order to improve transparency.

The purpose of the development program (DP) is to provide a general framework for the government's medium-term policies with respect to poverty reduction, fiscal, monetary, exchange rate, trade, etc. (GoM 2000:12). The development programme will identify the specific actions to be developed, as well as the institutions to be involved, the resources to be utilised, and the implementation and monitoring mechanisms. In order to implement the development program a number of policy and management instruments will be used:

Government Program for 2000–04 Policy framework which defines the main objectives, targets and actions for the period 2000–04.

Action Plan for the Reduction of Absolute Poverty (PARPA) The central document for poverty reducing actions.

Medium Term Fiscal Scenario (MTFS) Presents the budget for the medium term and will evolve into the fiscal component of the development program.

Analysis of sector policies prepared to date Will guarantee the harmonisation of sector policies with the other medium-term programmes.

Economic and Social Plan (PES) The government's instrument for programming annual policies and actions.

State Budget (OE) Presents resources in a one-year perspective.

How far then has the government come? The general framework, i.e. the development programme, is still at a stage of discussion, design and preparation. However, some of its components have reached more advanced stages. Since 1998 there has been work going on with the Medium-Term Fiscal Scenario (MTFS), and in order to make the handling of budget expenditures more efficient a harmonisation between objectives, activities and use of resources in the PES and the OE is taking place. Furthermore a first version of the *PARPA* was released in December 1999 and constitutes an important part of the Mozambican Interim Poverty Reduction Strategy Paper (PRSP) that was presented in April this year. It is also planned that the final PRSP will be a part of the development program.

Still, much of the preparation remains and, in addition to preparing the overall framework of the development program, most of the policy and management instruments have to be further deepened and developed. The government lists the following areas in which principle policies have to be pursued: poverty reduction policy, fiscal policy, education, health, employment policy, women and social action, agriculture and rural development, fisheries, energy/electricity, transport and communications, legal and judicial system, human rights and public security, institutional capacities and public sector reform, monetary and exchange policy, policy to develop domestic production, policy reducing vulnerability to shocks.

The Action Plan for the Reduction of Absolute Poverty (PARPA)

The *PARPA* is thus only one of several Government planning documents, which by complementing each other, have the common purpose of attaining the general objective of the government to fight poverty. The *PARPA*, which was prepared by several governmental ministries under the leadership of the Ministry of Planning and Finance, is considered to be

the first attempt to provide a comprehensive policy instrument with the explicit purpose of fighting poverty.⁷

Even though the *PARPA* may be the first document with a comprehensive view on policies for poverty fighting, there still have been several other documents and policies during the last decade which have addressed the issue. The *Social Dimension of Adjustment project* (SDA) and the *Office for the Support to Vulnerable Population Groups* (GAPVU) were formed in 1989 and 1990, respectively. In 1990 the poverty issues were further raised in the *Economic and Social Rehabilitating Program* (PRES) and a *Poverty Alleviation Strategy* was initiated.

The *Strategy for Poverty Reduction in Mozambique* of 1995 presented the first peace-time, explicit poverty reduction strategy in which five objectives were presented: improving living conditions in the rural areas, investing in human capital, improving the social safety nets, formulating a population policy and improving national capacity for analysis and monitoring of poverty. These objectives were incorporated in the *Five-Year Program of the Government for 1995 to 1999* (GOM 1999). However, the *Strategy for Poverty Reduction in Mozambique*, which was not a follow-up document, was very vague in its recommendations and only presented broad guidelines for poverty reduction policies.

In April 1999 the *Action Guidelines for the Eradication of Absolute Poverty* was approved by the Council of Ministers. Like the *Strategy for Poverty Reduction in Mozambique* it is not an operational document. The *Action Guidelines* specifies the mechanism for evaluation, co-ordination and funding measures for eradicating poverty, and concludes that in order to achieve this goal economic growth and investment in human capital are fundamental preconditions. According to the *Action Guidelines* education, health, agriculture, employment, basic public works and social assistance are the strategic sectors in the fight against poverty. Furthermore, the importance of strengthening the role of women and vulnerable individuals in the development process is emphasised. The *Action Guidelines* states that the global objective of Mozambique for the period 2000–2009 is to reduce the incidence of absolute poverty by about 30 per cent from the present level of almost 70 percent to 50 percent and to decrease the depth of poverty (as measured by the poverty gap index) by 50 per cent. The *Action Guidelines* lists a number of prerequisites to reach this goal:

- to maintain rapid and sustainable economic growth by stimulating the development of industry and construction and increasing productivity in agriculture.
- to give priority to the development of human capital through public investments in education, health, access to clean water and environmental sanitation.
- to increase agricultural productivity in the family sector, particularly in areas with high agroecological potential.
- to develop infrastructure in rural areas.
- to protect the most vulnerable groups through social security and assistance programs.
- to promote employment and self-employment in both rural and urban areas through vocational training and the promotion of income-generating micro-projects and enterprises, with particular attention to women, unemployed and socially excluded young people.

⁷ The following ministries have been involved in the preparation of the *PARPA*: Ministry of Health, Ministry of Education, Ministry of Labour, Ministry of Social Action, Institute of Social Action, Ministry of Agriculture and Fisheries, Ministry of Public Works and Habitation and the Institute for Rural Development

to improve technical and institutional capacity to monitor and evaluate poverty and analyse research in the poverty field in order to improve knowledge of the phenomenon and select the appropriate strategies to fight it.

To a large extent the *PARPA* reflects the experiences and objectives of these earlier national and sectoral plans, which in the *PARPA* results in a comprehensive global and integrated strategy for poverty reduction. In particular the *PARPA* is linked to the *Action Guidelines*. The general objectives presented in the *Action Guidelines* are complemented with the specific objectives and targets in the *PARPA*. The *PARPA* can thus be seen as a way to operationalize the intentions of the *Action Guidelines*.

The *PARPA* is multi-dimensional since it, on the one hand, defines programmes and activities for all levels of the Mozambican society (national, provincial, sectoral and local) and, on the other hand, covers economic, social, political and cultural aspects. It is also comprehensive in the sense that it not only identifies the objectives of poverty reduction but also specifies the targets that have to be achieved and the indicators that have to be monitored in this process.

Objectives, targets and indicators of the *PARPA*

The *Action Plan for the Reduction of Absolute Poverty* consists of five parts where the three first parts present the global objective of poverty reduction, the profile and determinants of poverty, the demographic and macro economic setting, and the efforts made so far to create a favourable economic environment. The specific poverty reducing objectives and targets, inclusive of detailed sector matrices, are presented for the period 2000–2004 in the fourth part. In the final part the indicators for monitoring the achievement of the *PARPA* objectives are listed.

The analysis of the *PARPA* is based on the result of the *Poverty Assessment* (GoM 1998). In the *PARPA* the concept of poverty is defined “as the inability of individuals to ensure themselves and their dependants a set of minimum basic conditions for their subsistence”, a definition which corresponds to the one used in the *Poverty Assessment*. The *PARPA* also points out that in analysing poverty both consumption and non-consumption indicators of well being are important. Based on the *Poverty Assessment* the *PARPA* chooses to emphasise the following determinants of poverty:

- Slow economic growth until the beginning of the 1990s.
- Low educational attainment by household members in economically active age groups, particularly among women.
- High rates of demographic dependency within the households.
- Low productivity in family agriculture
- Lack of job opportunities in and out of the agricultural sector.
- Weak infrastructure development in the rural areas.

To the global objective stated in the *Action Guidelines* of Mozambique to reduce the incidence of absolute poverty to 50 percent in ten years, the *PARPA* adds an interim objective to reduce the incidence level to around 60% by the year 2004. However, unlike the *Action Guidelines*, the *PARPA* does not present any poverty depth reduction objective.

As in the *Action Guidelines* it is concluded that for the program to have impact on poverty there must be a macro-economic framework that guarantees stability and sustained economic

growth. In order to improve the poverty situation growth has to have a pro-poor pattern and be accompanied by a set of policies that benefits the poor.

Low inflation is mentioned as particularly important for maintaining economic stability. Much of the growth in the middle of the 1990s was eroded by high inflation implying that living standards rose more slowly than they otherwise would have done. If it is possible to keep inflation low and the planned growth rate of 7 to 9% a year materialises, the government expects GDP per capita to grow by approximately 5% a year.

“The general objective of the *Action Plan [PARPA]* is to develop and permit effective co-ordinated monitoring of activities to reduce poverty in the medium-term and eradicate it in the long-term” (GoM 2000:36). To achieve this goal the *PARPA* lists a number of pre-requisites that have to be fulfilled in order to succeed. Besides maintaining economic stability and a rapid and sustainable pace of economic growth, the *PARPA* has to be harmonised with a number of other policy instruments e.g. the Population Policy, the Food Security Strategy, the National Strategic Plan to Fight STD/HIV/AIDS, the Post-Beijing Action Plan and the Integrated National Social Action, Employment and Youth Programme. Furthermore, as mentioned above, an efficient allocation of resources has to be carried through by the means of the Medium Term Fiscal Scenario, the Economic and Social Plan and the State Budget. Finally, the *PARPA* has also to be co-ordinated with the poverty reduction work of groups outside the government such as the private sector, NGOs and different religious communities (GoM 1999:36).

In order to achieve the poverty reduction target, nine intermediate objectives related to different sectors of the Mozambican economy have been defined (GoM Table 1):

- to keep a fast and sustainable growth
- to develop human capital through investments in education, health, access to safe water and sanitation
- to increase agricultural productivity in the household sector
- to develop and improve rural infrastructures
- to protect the most vulnerable groups
- to promote employment and self-employment
- to improve the institutional and technical capacity in poverty matters
- to improve the allocation of available resources and external aid
- to reduce regional asymmetries.

Each of the intermediate objectives corresponds to a number of specific objectives, which together with targets and government programs are specified in the fourth part of the *PARPA* (for a presentation of the specific objectives see the section about *PARPA* and Swedish aid). The objectives are co-ordinated with the strategic sector plans and will be updated each year. The purpose of the *PARPA* is to co-ordinate poverty reducing activities in the various sectors defined in the strategic sector plans. Sector matrices, in which targets for the different objectives can be found, are presented for the following sectors: education, agriculture, infrastructure, health, employment, social security, food security and capacity building on poverty issues (GoM 2000:41).

In order for a poverty strategy to be efficient it has to have broad support among the population, which is acknowledged in the *PARPA* through its emphasis on the importance of spreading knowledge about the poverty reduction strategy to different levels of the government and to the rest of society. The participation aspect is stressed in several ways in

the *PARPA*. As mentioned above the *PARPA* is the result of collected efforts of different governmental ministries. The Government also claims that it has been promoting regular consultations within its institutions both at the central and regional levels since 1998. Furthermore, since the *PARPA* points out that poverty is multi-dimensional, “it requires the involvement of a variety of institutions in the formulation of strategies and programmes to fight poverty, and in monitoring and evaluating their implementation” (GoM 1999:75). The strategy will involve various institutions, besides the governmental, in the planning, formulation, monitoring and evaluating. Among groups mentioned by the government are the private sector, represented by the business community, civil society and NGOs, academic and research institutions and the Mozambican press.

The progress of the *PARPA* will be monitored on both annual and five-year bases. The different sectors will be monitored each year. To be able to evaluate and monitor the progress of the program, indicators have been defined which will cover all steps in the process. Thus, there will be input indicators for assessing the quantity and quality of the resources that are used, process indicators for measuring the progress of the implementation of the program and impact indicators for measuring the final result. The indicators were chosen on the criteria that they should be non-ambiguous, comparable and collectable.

Based on the data of the *National Household Survey* of 1996–97, the *Poverty Assessment* (1998) identified the most important determinants of poverty. The *PARPA/I-PRSP* in turn uses this result for specifying a number of annual and five-year indicators considered relevant for monitoring poverty reduction outcomes in ten key sectors (Appendix 1).

Some of the original indicators have been criticised for inaccurately reflecting changes in the studied variable. For example, monitoring of the indicators related to the health sector is only based on statistics collected at the health centres. As a consequence non-official health statistics will not be included in the monitoring. Another shortcoming of the *PARPA* is the suggestion that the demographic variables should be monitored each year, which is not possible since these variables result of surveys or censuses performed on five- or ten-year bases. Furthermore, the *PARPA* has been criticised for consisting of too many indicators. Therefore, in the preparation of the PRSP, a revision has limited the numbers of indicators. For monitoring the development of the indicators, INE will use annual surveys, so called CWIQs, of which the first started in November 2000. The intention is to turn the CWIQ into a thorough household survey every fifth year in order to follow up the results of the 1996/97 National Household Survey.

The *Poverty Assessment* and the *PARPA*

The *Poverty Assessment* clearly showed that most resources in Mozambique are scarce and that the country is in great need of almost everything. It is therefore necessary to prioritise which measures are most urgent and the *Poverty Assessment* consequently specified a number of measures which can be expected to have the largest effects on development efforts (see section about *Poverty Assessment*).

How then does the poverty reducing measures of the *PARPA* correspond to the measures suggested in the *Poverty Assessment*? Since the *Poverty Assessment* and the *PARPA* are sequential documents we expect the *PARPA* to follow the suggestions of the *Poverty Assessment* quite closely. A comparison between the two documents’ suggested actions for fighting poverty shows that

the *PARPA* follows up most of the results of the *Poverty Assessment*. *PARPA* considers the same determinants of poverty as the *Poverty Assessment*, i.e. low level of education and health, low agricultural productivity, poor infrastructure and high dependency load as the crucial determinants of poverty.

The *PARPA* objective to develop human capital through investments in education, health, and access to safe water and sanitation directly corresponds to increased investment in education as suggested by the *Poverty Assessment*. More specific objectives in this field can be found in the *PARPA* and include ‘increase in access to primary education’ and ‘increase in the number of professionals’. Sustained economic growth in the *PARPA* is covered by the intermediate objective to keep a fast and sustainable growth. The way to achieve growth is specified in the *Policy Framework Paper* (PFP) for 1999–2000.⁸

The need to raise agricultural productivity is covered in the *PARPA* through the objective to increase agricultural productivity in the household sector. Also for the need to improve rural infrastructure there is an explicit objective in the *PARPA* to develop and improve rural infrastructures. There is no intermediate objective that directly corresponds to the needs to develop a sectoral pattern of growth favouring faster growth in the industrial and services sectors and reducing the fertility and dependency load within households. However, indirectly these targets are covered by some of the objectives. For example, the growth objectives acknowledge the need for diversified sectoral growth and the problem of the high dependency ratios is covered by the objective to develop human capital.

Swedish aid in a Mozambican context

In terms of disbursement Mozambique is one of the largest of Sweden’s development co-operation partners. The explicit purpose of Swedish development co-operation with Mozambique is poverty alleviation and strengthening of democracy.

In this section we will first present the Swedish principles for development co-operation. After that we will discuss the Swedish aid to Mozambique and see how it corresponds to the principles for Swedish aid and to the goals of the Mozambican poverty reduction policy.

Principles of Swedish poverty reduction

The main objective of Swedish development co-operation is poverty fighting. As far back as in 1962 it was stated that “the objective of Sweden's development assistance is to raise the living standards of the poor” (Government Bill 1962:100). This stance was reconfirmed at the end of the 1970s when it was stated that “Sweden’s development co-operation should aim to achieve a higher standard of living and fairer living conditions for poor people, so as to satisfy their basic needs and involve them in political decisions that govern societal development” (UU 1978/ 79:1).

The definition of poverty that underlies Swedish development co-operation as presented in “*Rights of the poor - our common responsibility*” (MFA 1997) is expressed in three dimensions; lack of security against unforeseen events, incapacity to develop personal resources, and insufficient

⁸ A newly developed matrix for the macroeconomic targets will substitute for the PFP in the full PRSP.

opportunity to take control over the personal life situation. With this broad definition of poverty it follows that the poor are not a homogeneous group – poor people are poor for many different reasons. Even so, it is possible to make some general characterisations of the poor. Thus, most poor can be expected to live in rural areas. Within households income is unevenly spread both with respect to gender and ages.

The Swedish main objective of poverty elimination is broken down into six targets, which should be co-ordinated in order to reach the main objective. These targets, which are not ranked, are to achieve:

- economic growth
- economic and social equality
- economic and political independence
- democratic development
- environmental protection
- gender equality

Prerequisites for economic growth and development

What are then the strategies to achieve these six targets and thereby also the main objective of Swedish development co-operation? First, Sweden bases its development co-operation on the acknowledgement that aid is not sufficient for a successful fight against poverty. There are several prerequisites that have to be fulfilled in order for a poverty fighting strategy to be successfully implemented. One is an increased integration of the poor countries in the world economy. Integrating these countries in the world economy, through for example trade liberalisation, will improve their possibilities of achieving a higher rate of growth.

The political will and capability of pursuing a poverty reducing policy in the poor country are other important prerequisites. In order to be able to successfully implement a poverty reducing policy it is also important that the public sector functions in an efficient and transparent way. Closely related to this issue is the need of a legal system with the ability to enforce law and order.

Experiences show that the correlation between a country's success in reducing poverty among its population and the growth of its GDP per capita is large. In "Rights of the poor" it is concluded that a market economy is necessary for a sustainable war on poverty. It is also pointed out that the free market has to be given a social and human face implying that economic policy has to be based on social dimensions. The role of the state in providing macroeconomic stability, infrastructure and clearly defined rules is emphasised.

However, growth in itself is not enough for reducing poverty, it also has to be equitably distributed. Criteria necessary for equitable growth are that it is compatible with the sustainable use of natural resources and the promotion of equality between men and women. Furthermore growth has to be broad and diverse in the sense that it covers many different sectors, it should be relatively evenly distributed geographically and it should raise both the incomes of the majority of the population and the overall level of employment.

Since poverty to a large extent is a female phenomenon, another prerequisite for a successful reduction of poverty is that the gender perspective is integrated in the planning of the poverty reduction policy. Thus, for efficient poverty reduction the effects of different economic policies

on men and women have to be considered. Finally, environmental issues have to be taken into account when poverty reduction strategies are planned since there is a close correlation between the environment and poverty.

Swedish development strategies

In many developing countries the mentioned prerequisites of poverty reduction are not present. As a consequence of the recognition that these conditions are necessary for efficient poverty reduction, Swedish foreign aid is supposed to contribute to their creation and strengthening in co-operation with the recipient countries. During the last few years the insight that development must be based on the recipient countries' own will and capacity has grown. More and more it has been recognised also that development co-operation has to be based on partnerships that give developing countries greater responsibility.

The focus on the creation of an environment suitable for poverty reduction is also reflected in the Swedish anti-poverty profile which emphasises measures in areas such as the promotion of democracy, human rights and good governance; equitable growth, human capacity and opportunities, ensuring individual security for the poorest and most vulnerable groups and support in connection with the solving of conflicts and disasters.

The Swedish development co-operation policy for promoting democracy, human rights and good governance focuses on the development of both central and local democracy. In order to achieve this goal, development projects that support reforms of public administration and strengthening the rule of law are encouraged. Another example of democracy-enhancing aid is the support of electoral processes. To increase the opportunities for poor people to participate in elections are considered an important part in the promotion of democratisation. In particular women's participation in the democratic processes is emphasised and supported. The rights of children, fight against corruption and development of independent media are other human rights-enhancing activities that are supported by Swedish aid.

Swedish development co-operation is supposed to integrate conflict resolution and prevention in its overall policy. One condition for Swedish aid might therefore be a willingness to find solutions to conflicts and disasters. Sweden is also supposed to support its development partners with methods of conflict analysis.

By strengthening the interaction between economic and social development, Swedish aid should contribute to equitable growth in several ways. One is through emphasising the needs of the poor and the fight against poverty in the formulation of structural adjustment programmes. Another way is to link support of the government budget to conditions that the supplied means are to be used in such a way that the poor benefit. Yet another way of contributing to the achievement of equitable growth is through the support of sectors of the economy with a large share of poor, such as, for example, agriculture. This can, for example, be done through land reforms and support of research and training aimed at increasing agricultural productivity. Another way in which foreign assistance can contribute to equitable growth is through the support of disfavoured regions in the aid recipient country. Foreign aid that supports local financing, e.g. micro credits, or labour intensive production methods can also contribute to equitable growth.

The definition of poverty, on which Swedish development co-operation is based, includes the incapacity to develop personal resources and insufficient opportunity to take control over the personal life situation. Consequently, Swedish foreign aid is supposed to enhance human capacity and opportunities. This can be achieved directly through improving health services and education, and indirectly through providing social or physical infrastructure. Providing capital, employment programmes and loans for new business are other ways to improve the situation of the poor. Swedish development co-operation is also supposed to focus in particular on the situation of women through, for example, supporting female education or the development of new systems for childcare.

The Swedish poverty reduction strategy also aims at contributing to an increase in individual security for the poor. Examples of development co-operation, which can improve the situation of the poor in this respect, are assistance in the construction of different forms of social safety nets such as insurance and pension systems.

Swedish aid in Mozambique

Swedish development co-operation with Mozambique implies an annual grant disbursement of about MSEK 500 (MUSD 50) each year. Besides supporting specific sectors, a large share of the Swedish development assistance is directed to balance of payment support and debt relief. Democracy and human rights are other areas that receive Swedish support. As part of its poverty alleviating strategy Sweden wishes to direct its support to northern and central Mozambique. In particular the Niassa province is targeted for integrated support. The sectors that receive support are education, research, roads, energy, agriculture, culture, public administration, and the private sector. Table 6 shows the planned disbursement of Swedish aid to Mozambique in 2000.

Table 6 Swedish planned disbursement to Mozambique in 2000

	MSEK	Share of total support (%)
Education	40	8.0
Research	37	7.4
Roads	99	19.7
Public Administration	50	10.0
Energy	14	2.8
Agriculture	20	4.0
Culture	5	1.0
Niassa	34	6.8
Democracy and human rights	31	6.2
Business development	20	4.0
B of P support and debt relief	100	19.9
Swedish NGOs	25	5.0
Regional support	2	0.4
Multilateral emergency assistance	24	4.8
Total	501	100.0

Source: Sida

PARPA and Swedish aid to Mozambique

So far this paper has presented the profile and determinants of Mozambican poverty, the Mozambican strategy for reduction of poverty as expressed in the *PARPA*, and the principles and general disbursement of Swedish aid to Mozambique. In this section we attempt to briefly present how Swedish aid corresponds to the poverty reduction objectives of the *PARPA*.

The general objectives of Swedish and Mozambican development strategies are obviously the same: to reduce poverty in the short term and eradicate it in the long term. On a principle level it is also possible to find good correspondence between the six Swedish intermediate targets of aid⁹ and the Swedish poverty profile¹⁰ on the one hand, and the intermediate objectives of the *PARPA*¹¹ on the other hand. For example, the Swedish co-operation emphasis on economic growth and the promotion of human capacity and opportunities corresponds directly to the objectives of the *PARPA* to achieve sustainable growth and to develop human capital. Similarly, it is possible to find correspondence between the other areas covered in the Swedish anti-poverty profile and the Mozambican intermediate objectives.

How then does Swedish development co-operation in practice correspond to the needs of Mozambique? One way to answer this question is to compare the Swedish distribution of aid to different activities and sectors with the specific poverty reducing objectives as expressed in the *PARPA*. Tables 7 to 15 present the specific objectives of each of the *PARPA*'s nine intermediate objectives and the Swedish aid that was planned to be disbursed to Mozambique in year 2000. The purpose of these tables is not to suggest a strict correspondence between specific Mozambican poverty reduction objectives and particular forms of Swedish aid, but to give a general picture of how Swedish aid corresponds to the needs as expressed in the Mozambican poverty reduction strategy. In fact, in several cases aid is overlapping in the sense that its effects cover more than one of the objectives. In considering the tables it should also be kept in mind that Swedish aid is just one source of resources for accomplishing the Mozambican poverty reducing objectives. To get a more complete picture of how available resources correspond to the objectives, other donors' and domestic resources also have to be considered.

Table 7 indicates that the forms of Swedish development co-operation, that most directly may contribute to the objective to keep a fast and sustained economic growth, are the balance of payment support and the debt relief, which receive about one fifth of the Swedish support to Mozambique. This form of aid can be expected to have a positive effect on ownership since it leaves relatively more freedom than other forms of aid for the recipient's own prioritising. However, sometimes these forms of aid are granted on the condition that they are used for expenditures in the health and education sector.

⁹ Economic growth, economic and social equality, economic and political independence, democratic development, environmental protection, and gender equality.

¹⁰ Promotion of democracy, human rights and good governance; equitable growth, human capacity and opportunities, ensuring individual security for the poorest and most vulnerable groups and support in connection with the solving of conflicts and disasters.

¹¹ To keep a fast and sustainable growth, to develop human capital through investments in education, health, access to safe water and sanitation, to increase agricultural productivity in the household sector, to develop and improve rural infrastructures, to protect the most vulnerable groups, to promote employment and self-employment, to improve the institutional and technical capacity in poverty matters, to improve the allocation of available resources and external aid, to reduce regional asymmetries

Table 7 Relevance of Swedish support with respect to the *PARPA*-objective to keep a fast and sustainable growth

Specific objectives of the <i>PARPA</i>	Examples of Swedish support
Macroeconomic targets with respect to budget deficit, inflation , current account etc. (specified in the PFP 1999–2002 for the Interim-PRSP and in a newly developed matrices for the full-PRSP)	Sweden supported Mozambique's economic reform programme with 50 million SEK in balance-of-payment support for 1999. Sweden accelerated its debt relief and budget support in response to the flood emergency, by disbursing 100 million SEK in March-April 2000. Both supports aim at minimising the impact of emergency on Mozambique's near and medium-term growth, economic reforms and poverty reduction programmes.

Sources: Cited from GoM (2000a) and Sida (2000)

According to the result of the *Poverty Assessment*, development of human capital is probably the most important measure to reduce poverty in Mozambique. Consequently, one of the *PARPA*-objectives is to develop human capital through investments in education, health, access to safe water and sanitation (Table 8). Among the social sectors it is particularly education and research that receive Swedish aid. Eight per cent of Swedish aid goes to education. If we consider aid that leads to the improvement of human capital, (education and research) more than 15 per cent of the Swedish aid falls within this category.

In 1997 there was a new agreement between Sweden and Mozambique regarding support for primary education, adult education, technical training, and development of capacity. From the year 2000 Sweden also will grant sector program support. Swedish aid to research is directed to the Eduardo Mondlane-university in Maputo where the central administration and the agricultural department are supported. Furthermore, Sweden supports non-governmental organisations focused on social activities.

Table 8 indicates a fairly good correspondence between the *PARPA* objectives for education and the Swedish sectoral support in particular with respect to primary education and education of teachers. It may also be noted that Sweden has chosen to stay outside the health sector, which, besides education, is the other important sector for human capital development.

Table 8 Relevance of Swedish support with respect to the *PARPA*-objective to develop human capital through investments in education, health, access to safe water and sanitation

Specific objectives of the <i>PARPA</i>	Examples of Swedish support
Increase in access to primary education	Phasing out of the support to the Industrial school in Beira and to the National Institute for developing education
Reduction of adult illiteracy	Bridging support to IAP for distance education of primary teachers
Increase in girls' access to education	A programme for capacity development of the administration of the education sector
Increase in the number of qualified professionals	Technical assistance to the Ministry of Education
Improvements in primary health care	Support to studies, evaluations and audits
Increase and improve the access and quality of health care for women and children	Support to emergency needs and rehabilitation after the floods
Prevention of the main endemic diseases	Distribution of textbooks through Caixa Escolar
Improvement in the health of the youth	Possibly fund other parts of the Educational Sector
Prevention of HIV/AIDS infection	Strategic Plan through a pool mechanism co-operation with other funding agencies
Improvement in nutrition	Co-financing an initiative to carry out a review of studies on the education sector
Improvement in the access to safe water and sanitation	Preparation of a prolongation of the Sida/Sarec support to research at Eduardo Mondlane University 2001–03 has started
Promotion of Family Planning	

Sources: Cited from GoM (2000a) and Sida (2000)

Productivity increasing measures in agriculture is another poverty reducing measure emphasised by the *PARPA* (Table 9). Even though Swedish aid does not directly support production, there is an indirect support of agriculture through the support of PROAGRI, which is the five-year Agricultural Sector Programme. Sweden also contributes to the strengthening of property rights through supporting the national land survey, DINACECA. Furthermore, by supporting the SEMOC-company Sweden funds the development of production of seeds. About 4 per cent of Swedish aid is allocated to the agricultural sector.

Table 9 Relevance of Swedish support with respect to the *PARPA*-objective to increase agricultural productivity in the household sector

Specific objectives of the <i>PARPA</i>	Examples of Swedish support
Increase in agricultural productivity by encouraging the use of improved seeds, extension services, use of fertilizers, among others	Sida is involved in the two sub components Research and Land within PROAGRI.
Improvement in the access to land	
Improvement in the access to markets	
Improvement in the access to financial resources	
Improvement in food security	
Improvement in natural resource management	
Promotion of associations of peasants and improvement in communication system	
Promotion of nutritional education and healthy habits	

Sources: Cited from GoM (2000a) and Sida (2000)

Besides balance-of-payment support and debt relief, infrastructure is the area that receives most Swedish aid (Table 10). A large share of the aid (almost 20 per cent) goes to physical infrastructure and in particular to the construction of roads. Sweden has supported the various stages in the national road program (ROCS, ROCS2 and Roads). The support has principally been directed at constructing tertiary roads in rural areas.

The energy sector receives close to 3 per cent of the Swedish aid. Sweden supports the energy sector with technical assistance in order to improve efficiency within the EDM and in the construction of the power grid in Nampula. Sweden also plans, together with Norway, to support the extension of the power grid to Niassa.

Table 10 Relevance of Swedish support with respect to the *PARPA*-objective to develop and improve rural infrastructures

Specific objectives of the <i>PARPA</i>	Examples of Swedish support
Improvement in rural roads	Extension of the Feeder Road programme
Improvement in housing	Extended assessment of rain damaged roads and support to contract works to bring national Highway No 1 and adjacent roads into a condition to sustain rains in future
Improvement in the access to energy services	Management support to parastatal road contractors
Creation of better conditions and improvement in the situation of isolation in the rural areas	Ongoing programmes within the co-operation between Sweden and Mozambique were extended into the first quarter of 2000. The rural electrification project in Nampula Province will be concluded at the end of April 2000. The Technical Assistance to EDM Programme terminated in March and is followed by a limited contract with cost sharing during 2000 and 2001. The emphasis is on high level support in EDM's relations with SAPP (Southern Africa Power Pool) and on a continuation of the Loss Reduction Programme.

Sources: Cited from GoM (2000a) and Sida (2000)

The intermediate objective of the *PARPA* to protect vulnerable groups is not directly covered by Swedish aid. However, Swedish aid listed in the other tables indirectly serves this purpose. Education, improvements in infrastructure and creation of jobs are all measures which have the potential to improve the situation of the poor.

Table 11 Relevance of Swedish support with respect to the *PARPA*-objective to protect the most vulnerable groups

Specific objectives of the <i>PARPA</i>	Examples of Swedish support
Improvement in the quality of social support services	Indirect effects through investments in education, infrastructure etc. (e.g. Tables 8, 10)
Pension system	
Social rehabilitation of vulnerable groups	

Sources: Cited from GoM (2000a)

When it comes to aid that favours faster growth in the industrial and services sectors and thereby contributes to employment and self-employment, Sweden contributes through its support of business development (Table 12). The support of business development, which receives between four and five per cent of the Swedish assistance, goes to small and medium-

sized enterprises, training programs for small businesses in the north of the country, and to a small enterprises-supporting fund. A more direct contribution to the employment promotion is the labour intense methods that have been used in order to construct roads in rural areas (see above).

Table 12 Relevance of Swedish support with respect to the *PARPA*-objective to promote employment and self-employment

Specific objectives of the <i>PARPA</i>	Examples of Swedish support
Promotion of employment in the rural areas Technical-professional training	Swedish assistance within the private sector development covers support to: the Standardisation and Quality Assurance (INNOQ), the credit fund for promoting small scale enterprises (FFPI), the Confederation of Enterprises (CTA), the privatisation of DINAME (state-owned company for editing and distributing school-books). New support was prepared for the micro finance sector and for a private sector programme in the Niassa Province. Labour intense methods have been used in order to create to construct roads in rural areas.

Sources: Cited from GoM (2000a) and Sida (2000)

Another important area for Swedish aid is public administration. The Ministry of Finance and Planning receives support for improving its systems for budgeting, accounting and internal audit. Other areas that receive Swedish support are an economic policy advisory unit (Gabinete de Estudos) at the Ministry of Planning and Finance, and production of statistics at the National Institute for Statistics (INE). Sweden also supports the decentralisation of central and local administration, measures to increase the competence of civil servants and will grant institutional support to the Supreme Audit Institution in Mozambique.

Table 13 Relevance of Swedish support with respect to the *PARPA*-objective to improve the institutional and technical capacity in poverty matters

Specific objectives of the <i>PARPA</i>	Examples of Swedish support
Training Research and monitoring	The Specific Agreement between Sweden and Mozambique regarding support to the public administration was prolonged up to September 2000. The Specific Agreement consists of the State Financial Management project (SFM) at the Ministry of Planning and Finance and the support to the local administration civil servants management programmes at the Ministry of State Administration. Sweden also supports an economic policy advisory unit (Gabinete de Estudos) at the Ministry of Planning and Finance, statistics production at the National Institute for Statistics (INE) and audit capacity building at the Administrative Court.

Sources: Cited from GoM (2000a) and Sida (2000)

For a successful implementation of the *PARPA* it is essential that it is co-ordinated with the development co-operation of the donors (Table 14). Otherwise there is an obvious risk that the

donor policy overlaps or contradicts the policy of the government. For the donors it is important to know the intentions and the actions of the government in order to make the development assistance as efficient as possible. Examples of such donor co-ordination in which Sweden takes part are the initiative by nine bilateral donors to harmonise their macro-economic support and make it conditional on the progress of the PRSP, the co-ordination of donors that takes place within the context of the sector programmes (SWAPs) and the Scandinavian countries' joint support of technical assistance to the National Institute of Statistics (INE).

Table 14 Swedish support and the *PARPA*-objective to improve the allocation of available resources and external aid

Specific objectives of the <i>PARPA</i>	Examples of Swedish support
Introduction of a medium-term vision in the programming of revenues and expenditures and their operationalization	Sweden and eight other bilateral donors have decided to harmonise their macro-economic support and make it conditional on the progress of the <i>PARPA/PRSP</i> .
Integration between sectoral policies and available resources	Donor co-ordination within the context of the sector programmes

Sources: Cited from GoM (2000a) and Sida (2000)

Most of the regional support, that constitutes about 7 per cent of total Swedish aid, goes to the province of Niassa, which has been supported since 1998. The overall aim of the support is to create sustainable growth in the province and thereby contribute to the alleviation of poverty. The support is directed towards support of infrastructure, the provincial budget, small-scale agriculture and private sector development.

Table 15 Swedish support and the *PARPA*-objective to reduce regional asymmetries

Specific objectives of the <i>PARPA</i>	Examples of Swedish support
Facilitation of the application of rules and procedures, as well as legislation to promote the private sector	A prolongation of the Specific Agreement on the preparation and initiation of the Niassa province support was signed. Another 25 million SEK was added to the previously allocated 20 million SEK for activities within the private sector and for preparatory measures pertaining to the civil society.
Promotion of decentralization and empowerment to the level of Provincial Governments (programming, resource management, and projects)	The Malonda sub-programme is currently being organised. It aims at developing different alternatives for creating an enabling environment for family farmers and to stimulate the emerging private sector. Sweden indicated a willingness to finance the rehabilitation of the road from Litunde to the Cabo Delgado border, as well as the construction of a new permanent bridge across the Luambala River. A draft feasibility study- for the transmission line Guruè – Cuamba – Lichinga was presented.

Sources: Cited from GoM (2000a) and Sida (2000)

Finally, one example of Swedish aid that does not directly correspond to the *PARPA* objectives is the support of democracy and human rights, which has been directed to several different areas such as support of the elections in 1999, promotion of civil society organisations and

independent media, support of organisations that collect and destroy illegal weapons and land mines, and to support of different women's organisations. However, here it should be kept in mind that even though democratic development is not an explicit objective, one of the basic principles behind the entire poverty reduction process is the idea of participation and ownership. Another form of Swedish aid that does not have a direct correspondence to the *PARPA* objectives is the support meant for promoting cultural activities and for increasing knowledge about the national cultural heritage of Mozambique.

Tables 7 to 15 indicate that almost all Swedish aid to Mozambique (as expressed in Table 6) can be categorised according to the objectives of the *PARPA*. One reason for this high correlation is evidently that the objectives of the *PARPA* are not very controversial and to a large extent express already existing knowledge about Mozambican poverty. Before the *PARPA* there was an understanding that it is necessary to promote growth, develop human capital, improve infrastructure, decrease urban/rural disparities, etc. in order to decrease poverty. The contribution of the *PARPA* can instead be found in its comprehensive approach, which aims at involving all stakeholders, including the donors, in the poverty reduction process. The large challenge for Sweden and other donors lies in effectively co-ordinating support with each other and with the efforts of the Government and other donors.

Conclusions

This study serves several purposes. First, it aims to give a description of the Mozambican poverty profile based on the study *Understanding Poverty and Wellbeing in Mozambique: the First National Assessment* (1998); second, it gives a presentation of the Mozambican poverty reduction strategy for which the most important document has been the *National Action Plan for the Reduction of Absolute Poverty (PARPA)* 2000; and third, it presents Swedish foreign aid to Mozambique and how it relates to the Mozambican poverty reduction strategy.

The first part of this study presents the profile and determinants of Mozambican poverty. Even though the quality of the underlying data of the *Poverty Assessment*, which comes from the *National Household Survey of Living Conditions* (MIAF) 1996/97, has been questioned, the *Poverty Assessment* gives a valuable picture of the profile and determinants of poverty in Mozambique. In the poverty profile it is shown that poverty is associated with low levels of human capital, poor health, low agricultural productivity, a weak physical infrastructure and a poor access to basic services, and high rates of fertility and dependency ratios. The most important determinants of poverty turn out to be slow economic growth until the beginning of the 1990s, low educational attainment by household members in economically active age groups, low productivity in family agriculture, weak infrastructure development in the rural areas, lack of job opportunities in and out of the agricultural sector, and high rates of demographic dependency within the households.

Consequently, on the basis of the analysis of the determinants of poverty, the measures advocated by the *Poverty Assessment* include increased investment in education, sustained economic growth, a sectoral pattern of growth favouring faster growth in the industrial and services sectors, measures to raise agricultural productivity, improved rural infrastructure, and the reduction of the fertility and dependency load within households.

The skewed distribution of poverty, with the central part significantly poorer than the rest of the country, is a somewhat surprising result of the *Poverty Assessment*. This result is also politically sensitive since the opposition party, Renamo, dominates the poorest parts of the

country. Even though it is valuable to have Mozambican poverty formally documented for the first time, other results of the *Poverty Assessment* are less surprising, with respect to the results of the poverty profile and the determinants of poverty. The low level of education, the high dependency ratio and the poor infrastructure in Mozambique are well known.

The next section analyses the Mozambican development strategy's overall objective, which is to reduce poverty. The part of the development strategy that specifically addresses the question of poverty is the *PARPA*. The *PARPA* formulates an interim global objective to reduce the number of poor to 60 per cent of the population by the year 2004. In order to achieve this goal the *PARPA* sets up a number of intermediate objectives covering key areas such as economic growth, education, physical infrastructure etc.

What then is new in the suggested poverty reduction strategies of the Mozambican *PARPA*?¹² First, there now is a comprehensive strategy for fighting poverty in the sense that it covers all aspects and sectors of society with objectives and targets defined for most areas. However, the comprehensiveness of the *PARPA* also raises questions about capacity constraints. On the one hand it can be argued that, even though the comprehensive view on the poverty problem expressed in the *PARPA* basically is positive, it may pose a potential problem due to its capacity requirements. On the other hand, since most Ministerial activities still have to be planned, implemented and administrated irrespective of the existence of the *PARPA*, it can be questioned whether capacity savings would be very large without this strategy. Furthermore, the Mozambican lack of administrative capacity is explicitly taken into account in the formulation of the *PARPA* objectives.

Second, the *PARPA* stresses the importance of disseminating the strategy to the population, which is reflected in what seems to be a genuine commitment of the Government to involve all parts of the Mozambican society in these efforts. The public sector, business society, civil society, religious organisations, NGOs etc. are all expected to contribute in order to execute the poverty reduction strategy. So far the participation process has been slow and it can consequently be suspected that knowledge of the content of the poverty reduction strategy outside the Government is limited. However, improvements in this respect hopefully can be expected since the Government, at the end of year 2000, presented a consultation action plan for the continued dissemination and participation process of the *PARPA/PRSP*.

Third, all stakeholders agree on the necessity of domestic ownership of the poverty reduction strategy. Both the Government and the multilateral donors acknowledge full Mozambican ownership to the poverty reduction strategy as expressed in the *PARPA*. Fourth, there now seems to be an interest both from the Mozambican side and from all the major donors' side to co-ordinate the poverty reduction efforts and resources. The downside of the proposed donor co-ordination is that there is a risk of a "ganging-up" effect and that the donor co-ordination will result in a strain on the administrative capacity.

In its third part this study analyses the principles of Swedish aid and its forms to Mozambique. The overall goal of Swedish development co-operation is poverty reduction and in order to achieve this goal a number of intermediate targets have been formulated. More precisely the Swedish development co-operation aims at the promotion of democracy, human rights and good governance; equitable growth, human capacity and opportunities, ensuring individual

¹² For an analysis of issues regarding ownership, commitment to poverty reduction, the consultation process and the expected consequences of the *PARPA/PRSP* - process in Mozambique see Falck and Landfald (2000).

security for the poorest and most vulnerable groups and support in connection with the solving of conflicts and disasters.

In terms of disbursement Mozambique is one of the largest of Sweden's development co-operation partners and receives on an annual basis about MSEK 500 (MUSD 50). The explicit purpose of Swedish development co-operation with Mozambique is poverty alleviation and strengthening of democracy. The largest shares of Swedish aid go to balance-of-payment support/debt relief and to the build-up of infrastructure such as roads and electricity. Another important area for Swedish aid is the educational sector. Finally, this study briefly discusses to what extent Swedish foreign aid corresponds to the Mozambican needs as expressed in the objectives of the *PARPA*. It is concluded that most Swedish aid target areas are well in line with the objectives considered strategic by the *PARPA* for alleviating poverty, i.e. human capital, growth, infrastructure, etc. The great challenge for Sweden lies in co-ordinating its aid with the efforts of the Government and other donors.

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Annex 1 Annual and Five Year Monitoring Indicators

Table A.1.1 Annual indicators

• Sector	• Annual Indicators
a) Demographic Area	- Population growth rate - Life expectancy - Global fertility rate - Dependency rate
b) Macro-economic Area	- Economic growth rate (GDP) - GDP per capita - Inflation rate - Proportion of public expenditure for social sectors
c) Food Security	- Food balance (cereals availability and requirements) - Total production of basic crops - Prices of basic crops - Environmental situation (drought, floods, pest outbreaks and disasters)
d) Education	- Gross enrolment rate - Gross admission rate - Number of schools - Number of pupils - Percentage of girls - Number of graduates (Grade 5) - Pupil/teacher ratio
e) Agriculture and Rural Development	- Prices of basic food crops - Production of basic food crops - Productivity per hectare of the main crops - Animal production and derivatives (eggs and milk) - Artisan fishing - Family sector agricultural marketing - Fish products marketed (artisan) - Situation of agricultural markets
f) Infrastructure	- Km of primary and secondary roads rehabilitated - Km of tertiary roads rehabilitated and built - Percentage of good, bad, reasonable and impassable roads (national level) - Number of wells and boreholes re-opened % of people supplied with piped water (rural and urban)
g) Health	- AIDS and HIV prevalence - Number of antenatal consultations - Number of institutional deliveries - Immunisation coverage (tuberculosis, polio, measles and tetanus) - Low birth weight rate - Stunting rate
h) Employment	- Unemployment rate - Number of jobs created (rural and urban areas) - Social security system beneficiaries (work reintegration)
i) Social Security	- Number of children assisted (engaged in occupational activities, assisted in special centres, provided with food subsidies) - Number of disabled assisted - Number of elderly assisted - Number of drug addicts rehabilitated
j) Institutional Capacity Building in Poverty Issues	- Inclusion of a poverty perspective in sector and province development plans - Number of technicians trained in poverty analysis - Number of annual seminars and courses on poverty - Research results

Source: *PARPA* Table 5

Annex 2 Macroeconomic variables

Table A.2.1 Government finances, 1993–98 (in billions of meticaïs)

	1993	1994	1995	1996	1997	1998
Total revenue	1093	1526	2413	3479	4623	5311
Tax revenue	995	1397	2202	3193	4235	4946
Taxes on income and profits	157	273	400	633	879	951
Taxes on goods and services	535	739	1153	1727	2389	2366
Taxes on international trade	279	343	579	693	812	951
Other taxes	25	42	70	140	155	178
Non-tax revenue	98	129	211	286	388	365
Total expenditure and net lending	2305	407	5157	6773	9498	10207
Current expenditure	116	1978	2188	3077	4272	5268
Current balance	-74	-452	225	402	351	43
Capital expenditure	1097	2119	2863	3669	4816	4641
Net lending	40	0	106	27	410	298
Overall balance before grants	-1212	-2571	-2744	-3294	-4736	-4923
Overall balance after grants	-280	-714	-654	-1003	-1031	-1105
External borrowing (net)	204	788	816	1377	2329	2172
Domestic financing	76	-74	-162	-374	-1298	-1067

Source: IMF 1998, 1999

Table A.2.2 Gross output 1993–97 (in billions of meticaïs)

	1993	1994	1995	1996	1997
Agriculture and livestock	2125	3127	5018	8043	8918
Industry and fishing	1250	1903	3395	5335	6048
Construction	849	1484	2405	3437	3807
Transport and communications	1157	1621	2454	3133	3837
Services	2671	4370	6411	9330	11237
Wholesale and retail trade	583	948	1486	2081	2324
Restaurants and hotels	244	391	563	1012	1109
Production services	743	1345	2191	3219	3733
Government services	915	1340	1657	2318	3281
Domestic services	186	346	514	702	791
Gross output	8051	12505	19685	29279	33847

Source: IMF 1998

Table A.2.3 Balance-of-payments, 1993–98 (in millions of US dollars, unless otherwise specified)

	1993	1994	1995	1996	1997	1998 ^a
Trade balance	-697,9	-717	-552,7	-556,5	-530	-620,1
Exports (f.o.b.)	131,8	164	174,3	226,1	230	248,2
Imports (c.i.f.)	-829,7	-881	-727	-782,6	-760	-868,3
Services (net)	-126,6	-147,3	-124,1	-85,3	-80,3	-185,9
Current account (excluding grants)	-824,5	-864,3	-676,8	-641,7	-610,3	-806,0
Unrequited official transfers	503,3	564,6	339,2	282,9	312,9	313,2
Current account (including grants)	-321,2	-299,7	-337,6	-358,8	-297,4	-492,8
Capital account	-107	-9,7	63,8	238,6	182,5	256,0
Short-term capital and errors and omissions (net)	-8	11,3	23,2	57,7	23,9	22,7
Overall balance	-436,2	-298	-250,6	-62,5	-90,9	-214,1
Financing	436,2	298	250,6	62,5	90,9	214,1
Net foreign assets	46	-52,4	-59,6	-159,3	-148,1	-77,2
Net change in arrears (increase +)	177,8	147,3	189,4	-64,5	-3935,2	24,2
Financing gap	212,2	203,2	120,9	286,3	4174,3	267,1
Debt relief	212,2	203,2	120,9	286,3	4174,3	267,1

Note: a) estimates

Source: IMF 1998, 1999

Table A.2.4 Monetary Survey, stocks, 1993–97 (in billions of meticaïs)

	1993	1994	1995	1996	1997
Net foreign assets	709	1147	2486	4501	6269
Net domestic assets	1310	2033	2434	1458	1200
Credit to the government, net	39	-87	-320	-748	-1347
Credit to the economy	1095	1711	2536	3565	5209
Money and quasi money (M2)	2019	3181	4920	5958	7469
Money	1796	2895	4493	5237	6208

Source: IMF 1998

Table A.2.5 Monetary Survey, flows, 1993–97 (in billions of meticaïs)

	1993	1994	1995	1996	1997
Net foreign assets	-75	289	485	2102	1701
Net domestic assets	786	728	731	-1105	-187
Credit to the government, net	79	-74	-137	-433	-605
Credit to the economy	197	616	825	1103	1697
Adjusted M2 flow	711	1017	1217	997	1515
Change in M2 stock	889	1162	1739	1038	1511

Source: IMF 1998

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