

Agricultural Growth Options for Poverty Reduction in Mozambique

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Understanding the role that agriculture can play as a catalyst for development, Mozambique's government is redirecting resources to its agricultural sector in an attempt to accelerate growth and poverty reduction. This is essential since agriculture is a vital income source for a majority of the country's population, contributing more than 25 percent to GDP, 20 percent of export earnings, and providing key inputs into manufacturing. Mozambique is currently implementing the Comprehensive Africa Agriculture Development Programme (CAADP) in association with the New Partnership for Africa's Development (NEPAD), which emphasizes policies and investment priorities aimed at raising agricultural growth, rural incomes and food security in Africa in line with the first Millennium Development Goal (MDG1) of halving poverty by 2015. The main target of CAADP is achieving six percent agricultural growth per year supported by the allocation of at least ten percent of national budgetary resources to the agricultural sector.

This brief outlines the feasibility of the CAADP targets in Mozambique and their potential impacts on the country's economy and population. The estimates presented are based on an economywide model developed by IFPRI. It is hoped that the findings summarized here will help policymakers and other stakeholders make informed long-term decisions to stimulate Mozambique's economy through agricultural development and meet the MDG1 poverty goal.

MOZAMBIQUE IS CURRENTLY NOT ON TRACK TO HALVE POVERTY BY 2015

Under its current growth path, Mozambique will not reach the first MDG of halving poverty by 2015. This "business-as-usual" scenario predicts that overall GDP growth will average 6.3 percent per year, below the 2002–2005 average of 7.5 percent, reflecting a potential slowdown in economic growth over the coming decade.

In the current scenario, per capita GDP will grow at 4.3 percent and poverty will decline from 54.4 percent in 2003 to 36.9 percent in 2015. This equates to a reduction in the absolute number of poor people in Mozambique from 9.95 million in 2003 to 8.55 million by 2015. Although this poverty reduction is impressive, it falls short of reaching the MDG1 target poverty rate of 34.5 percent by 2015.

IMPLEMENTING CAADP WILL ENABLE MOZAMBIQUE TO ACHIEVE MDG1

Achieving the CAADP targeted six percent agricultural growth rate will allow Mozambique to reach the MDG1 goal of halving poverty by 2015. Reaching this target is feasible: Mozambique already has strong agricultural performance, and therefore will require less additional growth in crop production. In fact, the IFPRI model indicates that with the right investments, Mozambique could surpass the CAADP target and reach an average agricultural growth rate of 6.6 percent during 2006–2015. This would increase overall GDP growth from 6.3 to 7.0 percent per year, reduce national poverty to 32.6 percent by 2015, and lift an additional 1 million people above the poverty line by 2015. Under the CAADP scenario, Mozambique would meet MDG1 sometime in 2014.

CAADP REDUCES POVERTY ACROSS RURAL AND URBAN HOUSEHOLDS

Under CAADP, faster agricultural growth benefits the majority of the population, with poverty declining across all representative households. As an aggregate group, rural and urban households benefit equally from this faster agricultural growth because agricultural commodities are consumed by both urban and rural households. If CAADP is implemented, rural poverty would fall by an additional 4.2 percentage points (compared to the current scenario) and urban poverty would decline by 4.3 percentage points.

POVERTY REDUCTION UNDER CAADP VARIES WITHIN RURAL AND URBAN AREAS

When urban and rural areas are disaggregated, the benefits of CAADP are less homogenous, a fact that must be taken into consideration in implementing CAADP. Within urban areas, households in the provincial urban areas outside Maputo City benefit more. These provincial urban economies are more heavily engaged in agriculture-related activities and more likely to benefit from increased crop production than households in metropolitan Maputo. Poverty will fall by 4.5 percent in these provincial urban areas compared to only 3.3 percentage points in Maputo City. The benefits of CAADP also vary within rural areas. Rural households that produce higher-value crops for export, such as tobacco and cotton, will experience greater income growth than households in non-export-oriented regions, which depend largely on food crops. However, food crop-producing households will benefit directly from food production growth, and indirectly by reallocating cropland to higher-value crops.

CEREALS AND NEW EXPORT CROPS SHOULD BE PRIORITIZED FOR PRO-POOR GROWTH

To ensure that the benefits of CAADP are distributed across different types of farm households, and to promote broad-based agricultural growth, Mozambique should focus on certain crops in its agricultural growth strategy. Growth driven by food crops, such as maize and other cereals, will be the most pro-poor. A one percent increase in maize GDP will cause the national poverty rate to decline by 0.73 percent,

while growth in existing export crops will only cause the poverty rate to decline by 0.29 percent. Food crops are both a source of income and consumption for poorer households. They also benefit farmers indirectly by allowing them to diversify into higher-value crops, and they reduce urban poverty by decreasing food prices. In addition, maize has strong linkage effects which encourage economywide growth.

However, growth in maize and food crops alone is unlikely to generate large-scale agricultural growth and poverty reduction without accelerated growth in export crops. Traditional export crops, such as tobacco and cotton, have a lower impact on poverty because they are generally produced by households that are less poor. In contrast, new export crops, such as sugarcane for ethanol and jatropha for biodiesel can strengthen growth and reduce poverty. Therefore, Mozambique should not overly rely on one single crop subsector for its agricultural growth strategy, but rather pursue a broad-based strategy that encourages both new export crops and food crops for economywide growth effects and poverty reduction.

CONCLUSION

The CAADP target of six percent agricultural growth is both feasible and worthwhile in Mozambique. It will allow the country to reach MDG1, and—if certain crops are prioritized—can reduce poverty across regions and encourage economywide growth.

This brief was prepared by Melissa Lambert and Marcia MacNeil based on a report by James Thurlow at the International Food Policy Research Institute (IFPRI). Funding for the study was provided by Swedish International Development Agency (SIDA) in support of Mozambique's Strategic Analysis and Knowledge Support System (SAKSS).

The Regional Strategic Analysis and Knowledge Support System (ReSAKSS) is an Africa-wide network of regional nodes supporting the Common Market of Eastern and Southern Africa (COMESA), the Economic Community of West African States (ECOWAS), and the Southern African Development Community (SADC), in collaboration with the International Food Policy Research Institute (IFPRI) and the Africa-based centers of the Consultative Group on International Agricultural Research (CGIAR), to facilitate the implementation of the AU/NEPAD Comprehensive Africa Agriculture Development Program (CAADP) and other regional agricultural development initiatives in Africa.

The ReSAKSS nodes offer high-quality analyses to improve policymaking, track progress, document success, and derive lessons for the implementation of the CAADP agenda. ReSAKSS is jointly funded by the United States Agency for International Development (USAID), the UK Department for International Development (DFID), and the Swedish International Development Cooperation Agency (SIDA). The nodes are implemented by the International Crops Research Institute for the Semi-Arid Tropics (ICRISAT), the International Institute of Tropical Agriculture (IITA), the International Livestock Research Institute (ILRI) and the International Water Management Institute (IWMI), in collaboration with regional and national partners.

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