Changes in Rural Household Income Patterns in Mozambique, 1996-2002, and Implications for Agriculture’s Contribution to Poverty Reduction

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EXECUTIVE SUMMARY

The challenge that faces Mozambique’s government is to design poverty reduction and rural development strategies that deliver three-dimensional growth: rapid growth to reduce poverty incidence quickly, sustainable growth to ensure that people permanently escape poverty, and broad-based growth to ensure that as many families as possible benefit from it. The specific objectives of this paper are:

1. To compare the level, sources, and distribution of rural household incomes in 1995-96 and 2001-02. To achieve this objective, the paper answers questions such as how have rural incomes changed over the six year period; how much have the poorest of the poor benefited; and have rural incomes grown evenly over the whole country or have some areas grown faster than others?

2. To compare the level and composition of agricultural income in 1995-96 and 2001-02. The paper considers the importance of agriculture relative to non-farm activities as a source of rural income, and the mix of agricultural activities, for different income groups.

3. To identify priorities for enhancing agriculture’s contribution to rural economic growth and poverty reduction in the medium term.

The national agricultural sample survey (Trabalho do Inquerito Agrícola) conducted in 2001-02, commonly referred to as TIA 02, provides a comprehensive data set on rural household income sources. It was designed and collected by the Statistics Department of the Economics Directorate of the former Ministry of Agriculture and Rural Development (MADER) with authority delegated by the National Statistics Institute (INE). The most recent national agricultural sample survey prior to TIA 02 was conducted in 1995-96 (TIA 96), only a few years after the signing of the peace accords in 1992 that formally ended the civil war. An understanding of how the rural economy has changed over the six years since TIA 96 will help guide investment priorities and implementation strategy to maximize the impact of public agricultural sector investment on rural poverty reduction.

Findings on Changes in Rural Household Income 1995-96 to 2001-02

Several key patterns of rural household income growth are identified. First, real mean rural household incomes per AE were 65% higher, and median incomes 30% higher, in 2001-02 compared to 1995-96. While households at all income levels saw their incomes rise, median incomes for the top 20% of households were more than double those of the next highest income quintile, and more than 15 times the income of the poorest 20%. With the exception of the top 20% of the population, rural household incomes remain very low, and remain critically low for the poorest 60% of the population. Encouragingly, regional disparities in rural household incomes have diminished since 1995-96, and ownership of goats and bicycles has increased among households at all income levels.