THE ROLE OF NON-FARM SOURCES OF INCOME IN RURAL POVERTY ALLEVIATION IN THE BOANE DISTRICT OF MOZAMBIQUE

by

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DEDICATION

To my wife Lúcia and my children Sandra, Leila and Euler.
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ABSTRACT

In 2001, the Government of Mozambique completed the Plan of Action for the Reduction of Absolute Poverty (PARPA), which defines the development priority areas and the main areas of action. Agriculture and Rural Development constitute one of the six main priorities of PARPA, but the contributing role of the rural non-farm sector in poverty reduction seems to have been overlooked, while international experience and evidence indicates that non-farm activities provide an important source of primary employment in developing countries. Because of the potential contribution of non-farm enterprises in generating employment and income in rural areas, some policymakers view the development of the non-farm sector as one way to alleviate poverty. As a result, the non-farm sector has become important in discussions about rural economy. The view of considering rural non-farm enterprises as the sole solution to the development problems of rural areas is primarily caused by the success of rural industrialization in China and East Asia, and the relative failure of previous development strategies oriented towards industrialization, and the current agricultural intensification strategies that have had only a limited capacity to absorb labour.
Generally, in Mozambique, the proportion of households that derive their income from non-farm activities in rural areas is unknown. Other aspects, such as level of income and the poverty incidence among this group, as well as the composition of the non-farm sector are also unknown.

With the objective to provide tools for policymakers and place the discussion of non-farm sources of income in a proper development perspective, research was carried out to find a response to some of these questions. The actual survey took place in January 2002, in the Boane District, South of Mozambique and involved thirty-seven households from eight villages. The study was designed to assess the role and contribution of rural non-farm sources of income to the alleviation of poverty in the district.

The results of the study revealed that the majority of the households continue to rely on agriculture as the main source of income; it also revealed that the proportion of households relying on non-farm sources is higher in the Boane district than in most other rural districts of Mozambique. While agriculture is the major source of income, the non-farm sector generates most of the employment for the wage employees. The sectoral composition of the non-farm sector in the district is narrow. Six types of non-farm enterprises were found, and construction is the leading enterprise employing most of the wage labour.

The average income as estimated by the consumption level was found to be 8 186.6 Meticais (MZN) per person per day, which translates into approximately US$0.34 or R3.74 per person per day as per January 2002 exchange rate. Comparing the income of different socio-economic groups, female-headed households have on average a higher income, and the households who rely on non-farm sources have the lowest household income. The incomes differ significantly at 95 percent confidence level.

The district poverty estimates based on the aggregate poverty line for Maputo Province, revealed that the district’s poverty rate (headcount) is 57 percent, indicating that more
than half of the population live in a state of absolute poverty. The district poverty index is also high at 32.9.

In general, poor households tend to be less educated and live in larger households than non-poor. The poor have more dependants than non-poor. Poor households have twice as many dependants as the non-poor and so their dependency rates are significantly higher than non-poor households.

The district exhibits most of the correlates associated with growth of the non-farm sector. The existing infrastructure and high population density deserve special attention, and should be explored more to broaden the composition of the non-farm sector in the district. Good infrastructure, mainly roads and telecommunications, is important for the development of the non-farm sector since it significantly decreases transaction costs for operators. These decreases can improve the efficiency with which rural labour and financial markets channel inputs into activities that will yield the highest returns. Moreover, decreased transport costs open up rural resources and markets to viable exploitation. All this facilitates movements to a more specialized productive rural economy. A high population density makes the attainment of minimum efficiency scales for full specialization in a given activity more rapid. After all, the emergence of a service sector depends on close physical proximity between purveyors and clients. The missing key factor for sustained broad-based development of the non-farm sector continues to be agricultural productivity. Without a strong agricultural sector, the non-farm sector cannot be sustainable over a long period of time. Agricultural productivity is regarded as the first step in the process of agricultural transformation. Early industrial development is frequently based on the processing of agricultural products. The policy interventions to improve agricultural productivity are discussed.
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