

**Social Development  
and  
Urban Poverty**

**Proceedings of a Workshop  
Held at the Kentucky Hotel,  
Harare, Zimbabwe**

**22 – 26 February, 1993**

**School of Social Work,  
Zimbabwe**

# **Social Development and Urban Poverty**

**Paper presentations and edited proceedings of a  
Workshop held in Harare, Zimbabwe  
22nd – 26th February, 1993**

**edited by Nigel Hall**

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## **Aims and Focus of Workshop**

### **Workshop on Social Development and Urban Poverty**

**Dates:** February 22 – 26, 1993

**Venue:** Kentucky Airport Hotel, Harare, Zimbabwe

**Contact:** Editor, Journal of Social Development in Africa, School of Social Work, P Bag 66022, Kopje, Zimbabwe, Tel: 750815.

**Sponsors:** Overseas Development Administration (British Development Division Central Africa)

**Organisers:** Journal of Social Development in Africa, School of Social Work

**Participants:** To be drawn from Southern African countries: Botswana, Lesotho, Malawi, Mozambique, Namibia, Swaziland, Zambia and Zimbabwe. Also participants from University College, Swansea.

#### **Aims of the Workshop:**

- a) To discuss issues of social development with specific reference to urban poverty.
- b) To facilitate an exchange of experiences on problems of poverty in southern Africa.
- c) To examine the social consequences of structural adjustment programmes, especially as they relate to urban poverty.
- d) To discuss the implications of urban poverty for social work education and practice, in particular, fieldwork.

#### **Focus of the Workshop:**

- The Workshop will focus on the problem of urban poverty, looking at issues such as definition of problems, intervention strategies, social policy, the way forward, analysis of students' experiences while on fieldwork, etc.
- Country structural adjustment and economic reform programmes will be reviewed.
- The Workshop will also address the issue of popular participation and accountability, with the objective of making central and local governments more accountable than they are.
- Specific services such as housing, health, community services, personal social services, social security, research, etc, will be evaluated in their relation to urban poverty.
- Fieldwork, with its implications for social work education and practice, will be examined.

#### **Papers will be two-pronged:**

- a) Focus on country with discussion of urban poverty, extent of problem, intervention strategies, etc.
- b) Focus on fieldwork regarding its role in training social workers and urban development; and social development training with special reference to fieldwork.

## “Policy and Programmes to Alleviate Urban Poverty: Approaches and the Mozambican Experience”

Antonio Siba-Siba Macuacua \*

### The Urban Poverty Profile

The twelve cities of Mozambique have a total population of three million. It is estimated that half of this population (200,000 households) are absolutely poor. The poverty line which is used to determine absolute poverty is \$US15 per capita per month. Households which have expenditures lower than the equivalent of US\$15 per capita are not able to meet minimum nutritional requirements (2,000 Kcal per capita per day).

It is further estimated that 30% of all urban households have to live on expenditures per capita which are under 67% of the poverty line (US\$10). These households are not only absolutely poor, but destitute. They face severe hunger which affects their ability to work and endangers the health especially of the more vulnerable members of these households (eg children, pregnant and lactating mothers).

An indirect indicator of poverty is the proportion of food expenditure to the total expenditure of households. By World Bank standards, households which spend more than 60% of their total expenditure on food are absolutely poor and those which spend more than 80% on food are destitute. Using these indicators, the DNE-IAF survey shows an even higher proportion of absolute poverty and destitution than those calculated above. The high incidence of absolute poverty and destitution in the cities of Mozambique is mainly caused by structural factors (eg labour scarcity) and contextual factors (eg low real wages) as follows:

- ***Structural causes of poverty***

In many households one bread-winner has to feed more than three mouths. This is not so much a conjunctural phenomenon (unemployment and under-employment), but mainly a structural phenomenon (scarcity of adult employed persons). As a result of more than 10 years of war only 23% of the urban population are men in the employable age (15-59). In contrast, 77% are children, women and elderly persons.

- ***Contextual causes of poverty***

Wages are extremely low, the minimum salary equivalent of US\$20 per month is just enough to keep 1,4 persons above the poverty line, or 2 persons above the destitution line. Households therefore try to earn additional income from casual labour and petty service activities to supplement low wages.

Most absolutely poor and destitute households suffer from a combination of these two causes of poverty: if a small or medium size household (4-7 persons) has one bread-winner earning a minimum salary and with limited other sources of income, this household is destitute. Many female-headed households are in this situation. The same is true for a large household (more than 7 persons) with only two bread-winners.

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## Summary of the Main Policies and Programmes to Alleviate Urban Poverty

The current approach for urban poverty alleviation in Mozambique is based on four components:

- ***Policies and programmes to create employment and income-generation activities***

Such policies and programmes – if effective – will benefit those households with unemployed or under-employed labour power capacities, regardless if they are absolutely poor or not. So far structural adjustment and liberalisation have resulted in decreasing employment in the industrial sector and in small-scale commercial and service activities. The formal sector with its high share of unprofitable state enterprises is contracting, while the informal sector is expanding. Foreign investors are still reluctant to inject capital and to create employment. Domestic investors, because of high nominal interest rates and limited markets, are concentrating investments in commerce, urban transport and services.

The government, international organisations and NGOs have over the last years launched a number of programmes and projects to promote small enterprises. Experts estimate all these organisations and programmes (GPE, IDIL, GAPI, Gabinete da la Dama, NGOs) have not created more than 3,000 to 5,000 jobs during the last four years.

Within the next four years the promotion of small enterprises could increase the income of approximately 10,000 urban households. The impact will be partly the result of additional jobs and partly the result of increased productivity of existing jobs. However, in relation to the large number of absolutely poor urban households (200,000), the contribution of all these activities on poverty reduction will remain small in the foreseeable future.

- ***The minimum wage policy***

This has the objective to ensure that the real wages of low salary earners who are employed in the formal sector do not decrease. For a number of reasons the minimum wage plays a decisive role in influencing the level of poverty:

- 67% of the working population in Maputo is employed on a salary basis (DNE-IAF survey)  
A significant number of these workers also have other income from casual labour and petty service activities in order to supplement low wages.
- 50% of the working population is employed in the formal sector (government, state enterprises and private enterprises with more than 10 employees).
- The poorest households seem to depend on the average more on salaries than the less poor households. In other words: many households seem to have one or more wage-earners, but a combination of large household size, extremely low wages and little supplementary income keeps them below the destitution line.
- The minimum wage policy probably is not strictly followed by all enterprises, especially not by those which are on the fringe of bankruptcy. However, it does determine wage increases in the public sector (which has a large share of very low salaries). In addition, pension and transfer schemes adjust their payments in proportion with the minimum wage increases.

However, the modest objective to protect low salary workers from a decrease in the value of their salaries has not been achieved. Since the beginning of the Structural Adjustment Programme in 1987, inflation has been higher than minimum salary increases.

- ***Basic services such as health, education, clean water and sanitation:***

These services protect and develop human resources and contribute to increase labour productivity. With the rise of the peri-urban population and increasing pollution of wells, available water is reducing. New approaches based on community operational and financial support may reverse this trend, but have the side-effect that the introduction of user fees for the provision of water limits access to this essential commodity for destitute households.

In principle there are many good reasons for the introduction of user fees. However, for destitute households which spend more than 80% of their total expenditure on food and fuel, user fees may pose unsurmountable barriers for the access to basic services.

- ***The social safety net:***

This has to ensure that those poor or destitute persons or households, which cannot sufficiently benefit from the other poverty-related policies or programmes, are also able to live 'a healthy and productive life' or can at least survive. Three different types of safety net organisations exist in urban Mozambique:

#### **The Commercial Food Aid System**

This has to ensure that basic food commodities are available to poor consumers at low and stable prices. While commercial food aid is absolutely essential for maintaining food security the existing system has two flaws:

- irregular and largely unpredictable food aid arrivals cause sharp fluctuations of consumer prices for cereals, and
- an efficient food aid marketing system based on quotas, licensing systems and controlled prices leads to enormous profits by a small number of licensed middlemen, while government revenues from the sale of food aid are low and consumer prices on the open market are high.

#### **The National Social Insurance Scheme, the Wage Supplement Scheme and the GAPVU-Cash Transfer Scheme**

These have the task to increase the purchasing power of those households which do not have enough income to survive, even if food prices are relatively low and stable. So far, only GAPVU has had a significant impact on poverty reduction. In December 1992, GAPVU was paying on average the equivalent of US\$10 to 25,000 households. At the same time the Wage Supplement Scheme which concentrates on destitute households in the government sector is completely ineffective. The National Insurance Scheme will have a significant impact only in the long run.

#### **The Social Fund of Medicines and Food Supplements for Children, the Secretariat of State of Social Action (SEAS) and the Social Programmes of NGOs**

These have the task to provide essential commodities and services to extremely vulnerable groups of the population. They have to reach those households which face life-threatening problems which cannot be overcome by income-transfers alone, but need other social welfare interventions. For different reasons – especially lack of funds, lack of personnel and lack of management competence – all these organisations and programmes together reach only a small percentage of those households which urgently need their services.

## A Low-Cost Package of Improvements for the Social Safety Net as a Whole

In order to increase the effectiveness and efficiency of the social safety net, the following improvements are recommended. They are in line with recent developments and do not require drastic political changes. Moreover, they:

- have the potential to reduce destitution significantly within three years
- can be implemented by the existing organisations without much external technical assistance, and
- will increase Government revenues more than they will increase Government expenditures.

The Commercial Food Distribution System will have to be deregulated, decontrolled and liberalised. Under the assumption that donors will simultaneously increase commercial food aid quantities by 100,000 tons of cereals per year, and to ensure that shipments arrive more regularly, this reform will lead to lower and more stable cereal prices and will increase Government revenues by the equivalent of US\$20-30 million. The coverage of existing programmes for households requiring special social welfare interventions has to be increased. This should be done by:

- making a systematic effort to increase the management competence of all high and medium-level personnel involved in social action programmes
- encouraging self-help groups and NGOs to increase their social welfare interventions.

A cost-effective system of well targeted direct income transfers and cash-for-work programmes which ensure that extremely poor households receive additional purchasing power is required. The short term objectives should be to reach as many destitute households as possible and to increase their purchasing power by an amount which is sufficient to lift them out of destitution. For labour-scarce destitute households this should be done by straightforward cash transfers, for destitute households with unemployed or underemployed labour, by cash-for-work programmes.

The coverage which can be achieved within the next three years by different programmes is estimated at:

GAPVU-Cash transfers	60,000 households
Wage-Supplement Scheme	18,000 households
Cash-for-work	12,000 households
<b>Total</b>	<b>90,000 households</b>

This is equivalent to 22,5% of all urban households. To achieve this, GAPVU and the Wage Supplement Scheme need limited technical assistance. Cash-for-work programmes are at the moment not more than a vague idea and will remain so unless some organisations start to develop concepts and initiate pilot activities.

Cost estimates are based on the assumptions that all programmes will pay on average the equivalent of US\$25 per month, per beneficiary household, and that administrative costs for the two cash transfer schemes are low, whereas cash-for-work programmes have relatively high costs for administration, tools, material, etc. When reaching their full capacity, the two cash transfer schemes together will reach 78,000 households at an annual cost of US\$15,6 million, which will have to be provided by the state budget.

Cash-for-work programmes reaching 12,000 households will cost US\$4,3 million. The Social Fund for Medicines and Supplementary Food for Children will have an annual budget of US\$3-4 million. Both these programmes should be financed by donor agencies.

A social safety net which reaches 19,5% (78,000 households) of the 400,000 urban households



in Mozambique with transfers which are sufficient to lift them above the destitution line at an annual cost of US\$15,6 million (2,9% of state budget) can be called effective and efficient.

In addition to this, if 12,000 households can be reached by donor-financed cash-for-work programmes at a cost of US\$4,3 million, and another US\$3-4 million could be made available by donors for the Social Fund for Medicines and Supplementary Food for Children, then the safety net could be called excellent. The total cost of US\$24 million for all these programmes is insignificant comparing with the total annual transfers (of aid) to Mozambique.

### **Final Remarks**

The main focus of the policies and programmes to alleviate poverty should be to develop viable approaches to improve the income at the household level, principally by increasing the productivity and growth both in the private and public sector employment. However, in all likelihood, many households will, in the short-to-medium-term, remain beyond the scope of strategies designed to stimulate growth, due to a variety of interacting factors. These include:

- (a) the inevitable adjustment period required for large numbers of the work force to learn the new skills required to take advantage of employment opportunities/incentives created within the Structural Adjustment Programme, and
- (b) the limited institutional capacities in Mozambique for rapid adoption of new measures or development of substantial new employment or income-generation enterprises.

Thus, it is likely that, in the current period of economic transition, some households with low or uncertain incomes would require special assistance on a temporary basis to allow for adequate access to food. In addition, there is a small proportion of labour-scarce households whose effective demand for food cannot be substantially increased through improved opportunities for employment or through enhanced labour productivity. For these households, there will always be a need for some type of social security system to ensure their food security. Therefore, a number of 'safety net' measures are proposed in the report to ensure that vulnerable families have adequate access to food.



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