

Confidential/Urgent

To: National Director Franco/DNP  
cc: Professor Galli SPA/DNP

From: Reg Green/SSPA/DNP  
12 November, 1991

Rural Livelihood Rehabilitation - PDP - CPP

1. Rural Livelihood Rehabilitation and PDP are crucial (widely agreed), urgent (ditto), attract broad interest (at level of discussion and even somewhat desultory studies) and are not moving (no fully articulated programmes, no money). Provincial Planning Commissions are central to effective decentralisation but have little history of results, a lack of self (or outside) focus and a negligible influence.
2. On the face of it bringing three problems together is not a way to make much progress on any. RLR (Post War Planning) and PDP in one sense suffer from two many institutions being interested and doing their own things separately while CPPs are very weak and also the object of numerous studies (largely focused on training now/action later perspectives).
3. Why may it be useful to try to tackle the three together:
  - a. RLR (Post War Planning) will, whether by success or failure, set the rural poverty, service availability, food security and output patterns of Mozambique for a decade;
  - b. It can be centrally formulated at strategic level (if rather more local and potential participant data can be secured) but its articulation and implementation should, for reasons of simple efficiency of matching resources to needs-contexts-possibilities, be decentralised. Operationally and in terms of data collection that means to District and Village Level. But coordination, analysis and supply of specialised personnel will have to be at Provincial level - neither village and district capacities nor the communication complexities of the centre (any centre institution) dealing with - say - 1,750 units (district and village) allow any other approach;
  - c. PDP is longer term than RLR. In intent it is also more intensive leading onward from rehabilitation to a rural forward dynamic. The timing is different in that (especially if RLR is prompt and national), PDP can start in a few districts gaining experience and momentum to cover all districts several years later. (By that stage it will not be a programme, much less a project, but a series of interactive programmes forming the bulk of several Provincial Directorates' and most District Administrations' work.);
  - d. the same decentralisation requirements apply to PDP as to RLR. True, Inder could relate to 5 to 10 Districts and 50 to 100 villages at the start - at least in principle. But to 130 odd Districts and 1,600 odd villages later? And over time the shift to Provincial/District incorporation of PDP into interrelated sectoral operational programmes will be hampered if the Provincial level is not involved from the start.

- e. CPPs have been hampered not merely by lack of personnel or resources but by:
- i.) the overemphasis on projects and underemphasis on programmes and recurrent spending which has characterised the planning process (including CNP);
  - ii.) the curious combination of decentralising large swathes of recurrent budgetary and operational activity while keeping the capital budget highly centralised and also tending to run donor initiated or financed programmes from the centre with little or no Provincial involvement until the foreign money ran out has kept CPPs out of both investment projects and strategic programmes with the CNP (in its stronger years) coordinating the former and the latter, e.g. Noradep, tending to be non-coordinated Ministry (or Directorate) plus Donor operations;
- f. if CPPs are to regain (achieve? It is not clear they ever had) a major role they need:
- i.) clear priorities;
  - ii.) a coordinating role on policy/programme at Provincial level;
  - iii.) decentralisation of programmes and capital budgets roughly analogous to that of the recurrent budget;
  - iv.) prompt action in selected key areas to build up confidence (their own included) by achieving results; while
  - v.) training (in service, in Mozambique, external) builds up technical capacity.
- They cannot plan to plan and train to plan for without substantive planning with and for others five years and then leap into full operation. Institutions cannot build up experience that way - planning to plan outside action and in service training outside a functioning planning process are contradictions in terms. In any case other institutions cannot, will not, should not treat CPPs as credible if they do nothing much for several more years;
- g. the CNP (like Finance) has somewhat different needs and duties in the context of decentralisation than a standard sectoral Ministry. Strategic Development Strategy-Policy-Praxis requires more monitoring guidance and direction (as does Macro-economic Management including Fiscal-Monetary-External Economic links strategy-policy-praxis for/by Finance) than do Health or Education or even Roads where coordination, division of labour and a catalytic/parameter guiding role at the centre may be enough (albeit not the combination of near anarchic division with central top down programme interventions plus Provincial day to day operations in parallel which seems to be common now);
- h. therefore, CNP to do its job needs CPPs which are - broadly speaking - its provincial analogs and with which it interacts not least on two way flows of data and on articulation from national to district levels (and coordination, generalisation in the other

direction). Coordinating a centralised Capital Budget - even if expanded to add coordination of centralised vertical Ministerial programmatic interventions by-passing the Provinces - is not an adequate substitute;

- i. the coordination links (for Finance as well as CNP) are particularly crucial because of the role of external resource transfers. Without decentralised (as well as sectoral Ministerial) capacity CNP cannot coordinate - e.g. PDP articulation, and it certainly does not have capacity to do it by itself from the centre. Thus it has no package to 'sell' to donors. Donors are both fragmented among themselves and quit uneager (luckily) to negotiate with ten provinces on a programme. Finance and CNP have to take the leadership not only on national but also on donor coordination. CNP cannot do so with the present near vacuum at CPP level.
4. In other words, 'Post War' Livelihood Rehabilitation, PDP need to be begun in operation as well as articulation now. To do so requires decentralised coordination both in the data collection/analysis and articulation phase and in that of implementation and ongoing monitoring. A logical tool for that set of tasks are CPPs. At the same time if CPPs are to live and remain (become) of some importance - which is crucial to decentralisation without anarchy or the costs of institutional proliferation - then they must quickly do something beyond training and planning for their own future. That is the case for the somewhat unlikely RLR-PDP-CPP triad gambit. A facilitating factor is that the EEC wants to fund a major national workshop on 'Postwar' Livelihood Rehabilitation. Since EEC is pro-decentralisation and broader involvement, basing the workshop on CPP members (plus selected District Officials?) in interaction with DNP, Finance and relevant central ministries and institutes would seem likely to meet with their approval (which we need since we do not have domestic finance for the purpose).
  5. If we are to take this course a series of action taking - I fear - 7 months will be necessary.
 

A. Prepare Questionnaire to CPPs	(To 31-XII)
B. Prepare Redraft PDP	(To 1-III)
C. Prepare Draft PRLR	(To 1-III)
D. Consultations on B-C/Revise	(March/April)
E. B-C to CPPs	(May)
F. National CPP Meeting	(June)
  6. If we do this then PTIP, Food Security and this will take up virtually all of CNP's policy time except for the Project Advisor who will take over the ongoing SDA projects and advise on/help with any new proposals.
  7. Questionnaires to CPPs ( a rough outline)
    - a. What present roles?
    - b. What desired roles:
      - i. Policy Coordination
      - ii. Capital Budgeting

- iii. PDP Coordination and Support
- iv. Postwar Rural Livelihood Reconstruction Planning
- v. Other

- c. What present staff? (Mozambican)
- d. What present staff? (Expatriate)
- e. What staff required for "b"
- f. Proposals to bridge gap "c + d" and "e"
- g. Skills Required
- h. Training Needed for Mozambican Staff
- i. Views UNDP/Commonwealth
- j. Views UNICEF-CPP Cooperation (Sofala-Zambesi)

The questions could perhaps be extended. They should be articulated a bit more. As we want CPPs to produce serious documents we need to make clear we want substantive answers on "b" including concrete proposals on PDP, PRLR and are intending to take them into account.

- 8. Professor Galli and her Mozambican counterpart (I apologise - her name escapes me because I did not meet her until final Wednesday because everyone assumed someone else had introduced us) if they feel this approach is important, could do this by 15-XII. Professor Galli did stress need to coordinate various initiatives to CPPs (largely for training) and to get an input from them both in her reports and to me. On a preliminary discussion she felt the DNP-CPP Workshop on PRLR (plus PDP and Role of CPP) would be valuable.

#### 9. Redraft PDP

Here we should ask INDER to provide us with:

- a. Overall main strategic policies and activities to inform PDP;
- b. Proposal for 5 to 6 year move to universal coverage;
- c. Detailed proposals for 10 (if possible districts) from baseline data through strategic policies, programmes and projects. To these estimates of results and an articulated budget (financial) plus a personnel requirement/training list.
  - On that foundation we should have a dialogue with INDER on Provincial Role (and especially CPP role). If we know 2 or 3 Provincial Planning Directors and 2 or 3 District Officers who are good on substance and keen, we should have a day workshop involving DNP - Finance (External Funding National Director) - The Provincial and District people. We cannot leave gap between INDER's idea of itself as a PDP Ministry (or Super Ministry?) working direct to districts and our view of INDER servicing PDP with Provinces coordinating and providing services. And we need to involve Finance so we do not repeat the top down - external capital and

recurrent finance programme operating parallel to provinces syndrome which bedevilled, e.g. NORADEP.

- Here you will need to take a lead. Professor Galli can work with INDER people (as she already has done) but to get agreement on the fairly major input sought from them and especially the incorporation of Provinces (presumably drafted by us) you will need to take the lead and to chair the DNP-Inder-Finance-Provincial/District workshop.

#### 10. Draft Postwar Rural Livelihood Rehabilitation

##### a. Main Components

- Transport
- Tools (Clearing-Building-Cultivating)
- Seed, Livestock, Fishing Equipment (where appropriate)
- Clothing
- Food

##### b. Likely numbers - 1992, 1993, 1994, 1995, 1996

##### c. Provincial Estimates (Desplacados plus Afectados likely to move - see discussion in Lands Paper)

##### d. Refugees and where likely to return by district (rough numbers)

##### e. Demobilisation Programme (say 100,000 over 1992-94) Livelihood Re-entry:

- i. Numbers by Districts (or Provinces) Rural  
NB numbers include household members
- ii. Numbers by Province - Urban
- iii. Rural Programme Components
  - Basic PRLR
  - Allowance on Turning In: Arms (\$100)  
Uniform (Clothing)
- iv. Urban Programme Components
  - i. Allowances (as above)
  - ii. MT 20,000/month per household for one year while building up urban livelihood (takes time to accumulate multiple income sources especially as few will win salario jobs rapidly)
  - iii. Training (for what? What range? What levels? Who is to do?)

##### f. Works Reconstruction Programme (Rural) 1992-1996

- Identify Items and How To Get District sector familial as well as District/Provincial official proposals
- Work out how to make labour intensive (say 60% local labour wages)
- Identify other inputs (Works foremen, engineers; tools; materials)

- Work out how to make - say - 60% seasonal to allow sector familial household members to take up this work during slack agricultural months (I assume these are largely dry months when peak construction possibilities)
- Consider pay - MT 750 per day? (If a household of 7 could get 80-100 days work then MT 60,000-75,000 which would greatly increase Returnee cash incomes. But other poor sector familial households should not be excluded. The question on 750 is partly that if at the peak, 1,000,000 households take this up at 100 days it adds to MT 75 million plus - if 60% - MT 50 million other costs or MT 125 million. (\$62.5 million at MT 2000 = \$1 used here. Also unclear that MT 750 is not so high as to get too many household attracted though 1 million is 7.5 million people or with returnees about 68% of post-return rural population of 11 million odd. Note 1,000,000 participants over year would mean about 500,000 in peak month(s).)

g. Works Rehabilitation Programme - Urban

- What should be included:
  - i. canisa roads
  - ii. canisa schools/saude postos
  - iii. canisa and cimento drainage
  - iv. canisa site preparation
  - v. zonas verdes extension
  - vi. zonas verdes drainage/small scale irrigation
  - vii. cimento roads/pavements
  - viii. other?

(I doubt this is an efficient way to build canisa houses - attractive as that would seem!)

- How many households should be give employment?
- Should there be a maximum of 3 months per person (or per household?) If so, how can it be enforced, e.g. card with days worked punched out?
- How identify the "projects". Can we use the Bairro Councils or Smaller Units?
- What role should Cidades and Villes play?
- Which places (Maputo plus Matola - 10 Provincial Capitals - Nampula clearly but which others?)
- What wage? MT 1,000 per day, i.e. about 60% of minimum wage for 25 days work in a month? Or is that too high in terms of response?
- This will help re urban absolute poverty. It will not be a total cure. This is evident for aged and disabled households. But also true - I fear - for many female-headed ones. A woman with several children below working age and no other adult cannot earn MT 25,000 in this way plus MT 30-40,000 in other ways so household would still be absolutely poor as a key element in its poverty is very low possible ratio of earning members to dependents.

- h. How do we involve agencies with experience/expertise to help NDP draft paper?
- UNHCR (on refugee return elements)
  - UNDP (on overall coordination/linkage to emergencia)
  - DPCCN (on delivery of inputs)
  - Works (on construction)
  - Finance (on fund raising/demobilisation)
  - NGOs (basically CCM and Members, Caritas, Red Cross - in articulation and operation in all aspects of PRLR)
  - ILO/UNICEF (labour intensive works)
  - World Bank (urban rehabilitation project)
  - Swiss (demobilisation)
- i. Rough structural design from NDP (or whoever coordinates) through to NGO-Bairro-District level.
- j. Rough costing and personnel requirements.
- For this programme we need to draw on:
    - DNP (my) earlier memos (on file I assume - including part of Lands memo);
    - Each of bodies listed at "h" especially UNDP-DPCCM-ILO/UNICEF-Finance-Works-Swiss-NGOs. (CPPs at later stage.) Many have bits and pieces of experience and/or programme designs.
  - How do we overcome transport problem for rural returnees?
    - How many depots would be needed to deliver food monthly to returnees? 1,500?
    - How many deslocados distribution points now?
    - How to open and supply the additional points?
    - If cannot open all points could some members of returnee households remain in deslocado camps and draw full rations and then themselves get them to household members engaged in farm rehabilitation? Many deslocados may well wish to opt for that at least if there are 2 or more adults in household and the camp has basic water-health-education plus reliable food supply. (If we opt for this we need to explain clearly to doadores or they will see camp ration numbers exceed people still in camps and if not told why in advance will scream FRAUD!)
    - Do you have anyone other than Professor Galli and her Mozambican colleague who can work full time on this? (Initial meetings with each other institution probably need to be chaired by you for 'weight'. Perhaps all should be invited to a day meeting chaired by Vice Minister and opened by Minister?) They are - quite frankly going to be heavily burdened on previous two assignments through to end February.

11. When I come out - month of February? - assuming these (PDP, PRLR) are well advanced I can (I hope) work full time on getting them into first complete draft state.
12. Then in March/April we will need to:
  - a. consult on complete drafts with Ministries/NGOs/DPCCN/UNHCR/UNDP
  - b. consult with doadores
  - c. take to CPP.
13. The above assumes:
  - a. Conselho dos Ministros/PM/Presidente do give top priority to PDP/PRLR (plus urban analogue and including demobilisation);
  - b. Over 1993-1995 (realistically little can happen on the ground in 1992 beyond perhaps 1 or 2 PDP pilots and a sketchy PRLR plus less sketchy Demobilisation) these two programmes will make or break achieving a broad front advance in production by sector familial and urban poor;
  - c. That broad front advance (production by poor households) is central to SDA/Struggle Against Absolute Poverty. (The other key components are Health and Water which seem in fair shape to rehabilitate, Education - which is a disaster area, residual Emergencia, Salario Minimale level - per my memo - GAPVU or alternative).
14. It is essential to avoid any more premature Presidential or Prime Ministerial 'launchings'. Otherwise will lose all credibility. At the same time I accept we must have a programme to announce, funds to begin it 6 months before elections (I'd guess early 1993 if Santa Egidia agreement by March and 10 to 12 months run-up to elections?) And something in the way of first steps on the ground by elections. (I assume Government will view that as an electoral necessity.) To achieve that we need far more urgency on the part of everybody.
15. In May (I'll be back second half May-June on present plans) we need to:
  - Revise
  - Get to CPPs for comment/input
16. Then late June we have CPP (plus Central Ministries, selected District Offices, the 3 key NGOs, selected Doadores, etc., e.g. World Bank, UNDP, UNHCR, Swiss, EEC, USAID, Nordics, Germany, UK) workshop. This covers:
  - PRLR
  - PDP
  - CPPs in above
  - CPPs other

That looks to me like 4 days or 5, i.e.  $\frac{1}{2}$  day open - 1 day each topic -  $\frac{1}{2}$  day wrap up.



- This will need to be set up by Sergio and finances negotiated by you and Sergio with EEC. (If draft on PRLR is good I'd see no problem with EEC but doubtless will take time.)

17. After workshop:

- a. revise rapidly (I can do part in UK);
- b. send to CPP; (Presumably announced then?)
- c. with Financas set to work mobilising doadores. But if PRLR-Demobilisation look pretty good at end of March see whether Financas and NDP can do some mobilisation for June approvals and August on disbursements;
- d. if we are serious the results are the main setpiece for Congroup 1992 and for 30% of 1993 disbursements - we do need \$250 million odd.

18. If DNP is to coordinate anything on this scale (PDP + PLRL) we need more than:

- Rosemary's Mozambican colleague
- Food Security Unit.

I'd guess we need:

- Section Head - Mozambican
- 1½ general purpose advisors (e.g. get RHG and RG extended through 1993)
- 3 Mozambicans (or full time equivalent if some students part time)
- 2 Mozambicans or expatriates

7½ Persons Total

That is in fact rather modest for overall coordination of \$250 million (or even \$100 million) a year nationally spread out programme package.

19. I view this - PDP/PRLR and reactivated CPPs so it can be decentralised to Provinces with feedback to Centre (NDP - CPP) as make or break not so much for SDA or even NDP as for:

- a. Overall Credibility of Government of Mozambique (whoever it may be after elections - the needs outlined are Mozambican human, social, economic and political not those of any one party).
- b. Achieving a Forward Dynamic (1986-1991 we have halted rapid decline, won back a little ground on some sectoral and programme fronts and lost a bit less elsewhere. We cannot continue much longer that way - i.e. 1993 on, we really begin to go up or we go down).
- c. Struggle Against Absolute Poverty (these programmes - especially PDP - also involve poor households but to target only absolutely

poor is both impossible and implausible. Goal is to be sure they are among main beneficiaries).

20. This is not a total economic strategy. Other elements include:

- a. Restoring some degree of competence to key Empressas - especially Ports and Railways, Agricon and industries with or without joint venture partners). That is Finance/UTRE;
- b. Salary/Wage levels in public service which meet minimum efficiency (good technicos come and stay) and living wage (i.e. by 1996 Salario Minimale 80% to 90% of absolute poverty line) - Civil Service Review/Financas;
- c. Rehabilitation, Health, Water, Education. In the first two process seems to be in hand. Rehabilitation of Works/Agriculture is in fact built into PDP/PRLR (or they can't work).
- d. Safety nets (GAPVU or successor, Calamities successor to Emergencia) - NDP;
- e. Coherent data base so we know what we are doing, where we are, how programmes are getting results or not - DNE, Finance, operating Ministries, Empressas.

But except for "d" these cannot be basically Plano responsibility.

21. I am aware how far reaching this memo is. I write it on basis 6 years fairly intensive involvement in Mozambique. If we cannot move now with some stabilisation already achieved, war running down (on balance the trend 1987-91 is down despite local and provincial set-backs at times) then donor fatigue will rise rapidly (however unjustifiably) and we will sink.
22. Evidently this perspective is one which - to the extent you agree with it after your amendments to it - needs discussion at least with Deputy Minister and, I should think, with Minister/Prime Minister (in both of his capacities). Unless we have backing from the top we cannot pull the DNP side off or get adequate Financas/Operating Unit/Doadores support.

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SSPA-NDP  
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November 1991

To: National Director Franco  
cc: Professor Galli/SPA

From: R. Green/SSPA  
6 November, 1991

Box  
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Food Security

1. I agree with Professor Galli's review in that -
  - a. present number of programmes too many;
  - b. targeting of each fuzzy with conceptually some overlap and certainly no clear division of labour;
  - c. hampering resource mobilisation, articulation administration, effectiveness of all.
  
2. However - much as I hesitate to suggest studies instead of action - I think we do need to do a conceptual review before chopping and changing at the programmes one by one. Otherwise we will have a new muddle of same type in the short run and collapse of outside resource support in the medium. Then USAID view that no safety net is best will win by default. Defeating the Cornell Study approach is no great victory if we believe in safety nets - the combination of ineffectual present programmes and reasoned demolition of counter proposals (however justified the demolition) leads to no programmes and a "free market". (How that would eliminate theft and associated leakages I don't know but it then seems to become a police and not an administration issue.)
  
3. Some of the key issues re Food Security are:
  - a. Physical supply? Or household "entitlements" (via production and income) to secure adequate diet?
  - b. Market determination of entitlements with minimal enabling or intervention? Or a more complex approach?
  - c. Interaction among salaried minimal/micro and artisanal enterprise/employment and safety nets and household food security?
  - d. How much of agricultural policy (if any) should be under food security rubric?
  - e. How (if at all) one can get real grower prices up and real basic diet consumer prices down.
  - f. Where should strategic focus on food security be? How can that focus be articulated into coordinated (and monitored) action by which agencies?
  - g. What instruments do we need? Why?
  - h. What are implications of "g" for reformulating, abolishing present instruments (programmes)?

#### 4. Physical Supply? Entitlements?

This is not a sensible either/or - least of all in Mozambique.

69% average availability of needed calories is probably too low (pace UNICEF). But 75% to 80% I'd believe and that would mean of the order of 1.5 million tonnes grain equivalent physical deficit.

With - say - 750,000 families seeking livelihood rehabilitation in sector familial that is 2 tonnes per family of which a household of 7 would need about 1 to 1.2 tonnes (grain equivalent not literally all grain nor literally 1 to 1.2 tonnes as grain is more calories per kilo than root crops, vegetables, fruits).

One tonne sold at a grain equivalent producer price of \$100 might suggest a rehabilitated SF household income of \$250-\$300 (\$100 agricultural sales, \$25 other cash, \$25-50 production other than food/housing for own use, \$25-50 own housing, \$100 own food.) Adjusting household self-provisioning items to urban prices might give \$400-525 which is still below urban absolute poverty estimate of \$800 odd for household of 6 to 7. Even if one assumes 2:1 split between food and export/industrial crop household income the range goes only to \$450-575 which is still perilously low. However this very back-of-envelope scribble does suggest:

- a. possible (not easy) route to food security nationally (not just rurally) primarily via SF not totally mad concept;
- b. resultant income gain (750,000 times say \$200) for SF of order of \$150 million;
- c. by no means whole answer to rural household absolute poverty;
- d. would require massive transport and market infrastructure improvement.

(I do not suggest it tells much about what any sector familial household should produce to sell only that it needs at least \$100-200 worth.)

Entitlements are key. A rural household that does not produce much beyond food equal to basic nutritional requirements will be forced to sell food (and thus go into malnutrition) because it needs, e.g. cloth, salt, sugar, tools). Therefore it must produce either a food surplus for sale, some other product (whether agricultural or not) or have access to some fairly secure form of wages (not necessarily a salario). This may seem obvious but is not - food security is often bedevilled by supposing that a household (or region) producing enough food for its own needs is OK on food security. If it has no other cash income source it is not. "Man does not live by bread alone" has a very real material meaning in this context.

An urban household will not get food security from physical availability. The market can balance supply and demand by price - true. But quite possibly at a price leading to majority urban malnutrition - which we are very close to having in Mozambique, indeed may have by some tests. (Again an income equal to food needed is not enough. Normal guide-line is that if minimum adequate diet would cost

over 60% of income then household will be in absolute poverty and usually undernourished.)

While for most rural households production (food and/or other crops) is central to entitlements and to most urban households a salario plus other income package is key, some households (urban and rural) cannot now and of them some cannot ever earn their "entitlements" in full. This is the safety net case - the household that can't earn enough when most can.

##### 5. Market Determination/Intervention

This is another false dichotomy unless one has no concern for malnourished people and/or believes enabling intervention to increase productivity/reduce costs or to offset market failure is always counterproductive. (Or to be symmetrical, unless one believes a purely physical balance rationing system to be desirable and practicable in which case one wants no market allocational roles even if one does sell food.)

The Mozambican system is in practice a very badly functioning congeries of fragmented imperfect markets mixed with quite limited intervention. The degree of effective intervention on both national market prices and on 'special' prices for poor people is far greater in USA as is the former but not the latter in Western Europe. (Not less action on food security in Western Europe but by income support rather than targeted food subsidies via stamps which is USA's key instrument.) The one massive market intervention - 500,000 tonnes a year of food aid - is not discussed in the same way because of the special context.

There is a conundrum in Mozambique in the short and medium terms:

- a. a key goal is to reduce fragmentation of markets (better transport, less oligopsony, less theft/leakage, less broad front food subsidies);
- b. but because of imperfections some selective fragmentation (e.g. "fair price shops", "minimum grower prices" in areas where - at least in the short run - these are not break even for commercialisation process) may be needed;
- c. entitlements transfers for food security can be either pure market (e.g. supplement alimentaire to large, low wage households with government employee) or pure physical allocation (e.g. Emergencia). This is parallel to, rather than part of, general fragmentation issue even though it revolves on same tension as the main conundrum (i.e. transfers in cash suppose a reasonably smoothly functioning commercial market and may help strengthen it; transfers in kind fill a market gap but may perpetuate it by denying space for it to grow).

Beyond that level I believe one should look at specific cases to determine balances between intervention outside (physical rations), intervention fragmenting (fair price shops) market; intervention enabling market (physically and economically more adequate transport and physical supplies of food) and intervention in respect to household access to market (cash transfer payments and, more important, salario minimal).

Note - all food aid (sold or given away) is an intervention in the market (as indeed in one sense are all quota or no quota, tariff or no tariff policies in respect of commercial imports). It is precisely this pervasiveness of intervention that makes me doubt usefulness of extended general level dialogue as opposed to looking at cases and then looking back at how case answers fit (or don't fit!) together.

## 6. Incomes - Safety Nets - Food Security

The basic source of food security is earned household incomes. Therefore the salario minimal strategy and praxis is the largest single determinant of urban food security for the income side (and the volume of effectively moveable rural surpluses plus food aid on the price side). Similarly, on the rural food security front the largest factor is sector familial food production (including self-provisioning). The second, Emergencia supplies, is a safety net but the third, sales of non-food crops, is again earned income.

- Safety nets are for those who cannot (temporarily or permanently) earn high enough incomes to enable them to earn food security (which is an income equal to or above absolute poverty line, i.e. all basic necessities not food alone). To try to use them as a substitute for a living wage or for livelihood restoration (sector artisanal and sector familial) and employment expansion measures is untenable. The more people are below absolute poverty line the harder it is to target. The more recipients there are, the higher the cost (or the lower the benefit). The only case in which food security safety net benefits to a majority of households make much sense and are fiscally practicable is that of a country with a good administrative apparatus, a GDP per capita of over - say - \$1,000, a genuine crisis with a finite duration (e.g. drought) and a very strong fiscal position. Botswana during 84-90 drought met those tests; Mozambique meets none of them.
- An earned income (but below absolute poverty line) and a safety net are not inconsistent. Thus the food supplement in cash for large, low wage, government service households makes sense if the maximum goal possible for salario minimal is (see memo on Salario Minimal) two-thirds of household absolute poverty line for household of 5 or 6. Doubtless a salario minimal equal to full absolute poverty line at 10 person household level would be an (almost) full alternative but not a fiscally nor economically plausible one - nor a targeted one for that matter.

## 7. Agricultural Policy/Food Security

Food security at physical level must come to depend increasingly on domestic production. Similarly, for the vast majority of rural households production of most of their own food (household self-provisioning) is in practice a necessary condition for food security. From that one can draw certain conclusions:

- a. physical food balance projections and scenarios need to interact with agricultural strategy and policy;
- b. livelihood rehabilitation and PDP are relevant (indeed central) to household food security for most rural households;

- c. food aid requirements should be projected as a residual and by crop (e.g. maize at some finite date should drop out; rice is unlikely to before 2000; wheat won't until we can afford to import it commercially; vegetable oil is somewhere between maize and wheat or perhaps maize and rice). That has a useful function in planning composition of aid package sought - e.g. USA will, over time, need to be shifted to vegetable oil/wheat/rice and EEC ditto. And triangular aid via Zimbabwe, Malawi or Tanzania will either fade out or need to be shifted to vegetable oil (where none, I believe, has significant surplus now and T at least has a deficit) or conceivably rice (in which T may in a few years time have a surplus).

Beyond that is Food Security well advised to try to articulate agricultural policy?

- a. whether any particular household grows food or other crops to sell is not a decision to take centrally rather than enable household to take;
  - b. beyond arguing for relative prices which do not create forex wasting trade (e.g. grain prices so low we need imports which cost more forex than exports grown on land that with higher relative grain prices would have been under - e.g. - maize or rice) it is not clear food security has much to say;
  - c. none of its own logic gives FS any great insight into appropriate technology, beyond the key general point of enabling sector familial to produce rising (food and/or other) marketable surpluses, nor is it evident why it should seek to acquire its own expertise in that field;
  - d. the nutrition education function needs to be in Agriculture and down to District level (as it is in Tanzania) so that production enabling advice does back up diet improvement teaching. Health and Agriculture would seem to be actors with Food Security broadly in picture but with a watching brief and catalytic role.
8. A Benign Price Scissors? Grower prices appear low relative to retail. But grower prices plus transport and commerce costs add to more than import parity at port city level. A debate on cheap food by paying farmers less is sterile. A policy of raising grower and lowering consumer price by subsidies is fiscally not on and could very well be inefficient in resource allocation results - in practice as well as theory. But reducing transport costs (and improving access to transport) and reducing commercial margins (whether by cost reduction or oligopsony reduction) is a positive sum game.

Infrastructural repair and better access to finance, spares and fuel to more enterprises (to break local transport oligopoly) are clear enough ways forward on transport side as is reduction of war risk. On commercial side what to do is less clear:

- a. credit loosening targeted on smaller, viable commercial enterprises? (But credit ceiling and cautious, rigid banking practices impede this.)

- b. revitalising co-ops? (But does management or capacity to train it exist even in medium term for this to be more than a small part of answer?)
- c. faster buying by wholesalers to reduce storage losses whether on farm or by initial commercial sector purchasers? (But is this more than lessening credit squeeze in this sector plus transport restoration? If so, what?)
- d. effective buyer of last resort floor prices. Agricon buys enough at these prices to suggest private sector not up to it. And the private sector prices are so close - on average, there are exceptions - to floor as to make hypothesis competition would make them pay that much anyhow unwise as a basis for full scale floor price scrapping without better data. But Agricon - physical limits, management quality (or otherwise) and credit limits - is not fully effective so nor is floor price;
- e. removing multi stage element in turnover tax which biases market in favour of monolithic, large enterprise, e.g. co-op to small collecting wholesaler to urban selling wholesaler to retailer has 4 cascading 10% taxes whereas if Agricon bought-bulked-transported-sold in own retail shops only 1 tax of 10%. More broadly I'd advise exempting unprocessed or sector familial processed food (rice might be an exception) and collect once at importer or manufacturer or wholesaler level. That has broader fiscal efficiency implications but would inter alia reduce commercialisation cost of food.
- However, a gross barter (price ratio) terms of trade improvement by farmer is not essential to improving his/her factorial (income per hour) terms of trade. If more crops (or livestock) can be grown (or fish caught) then the same gross barter terms (or even slightly worse) are consistent with higher real incomes. If the move is the result of higher output per hour (net of added input costs) then per hour income is up too. To the extent men do much more work on crops grown to be sold than on household self-provisioning crops, then greater market access and greater production might primarily decrease male 'involuntary leisure' rather than increase women's work loads. The North Cabo Delgado study suggests to me that more is being marketed at gross barter terms charges which are within margin of error (i.e. unclear they are shifting much). If merchants are more prosperous it seems likely turnover has increased which implies greater real consumption by sector familial.
9. Where Strategic Focus? How articulate/monitor? Who acts? Assuming DNP can 'collect' analytical bit of food security from Commerce, DNP can (as well as should) be the strategic focus. In some areas it can take a lead in articulation albeit preferably in collaboration with implementing bodies. It will need to receive automatically all implementing body monitoring/results data and to negotiate what data they record and analyse.

Implementers:

- a. Physical production and movement enabling - Agriculture, Works, Transport, Inder (and provincial) analogues;



- b. Grower prices - Agriculture/Commerce;
  - c. "Fair Price" System (if continued) Commerce;
  - d. Non-cash safety nets - DPCCN and local level agents;
  - e. Cash safety nets - GAPVU - Treasury (subside alimentario) - Social Action - NGOs - Social Security (some sorting needed!);
  - f. Urban Incomes - DNP/Finance/Labour (Salario), Labour/Commerce - "informal sector", DNP/Labour/Finance salario employment expansion.
  - g. Nutrition (to extent 'independent' of income) based in units in Health/Agriculture.
- DNP should not set up a Working Party of all of these. Nor should all contacts with them on Food Security involve only those 2 to 4 DNP people, i.e. collaboration with Inder/Agriculture should be unified with FS drawn in as needed and quite separate from work with Finance/Labour (and Trade Unions) on Salario Minimal.

#### 10. Instruments Needed

Basically we need:

- a. production enhancement for physical side;
- b. production enhancement (sector familial/zonas verdes) for poor household entitlement (direct via self-provisioning, indirect via sale and purchase);
- c. urban income sustaining/enhancing (salario minimal/increased salario employment/micro and artisanal sector expansion);
- d. safety nets for those unable to earn full food security;
- e. perhaps market moderation/limitation devices, e.g. "Fair Price" shops and "Floor Price" buyers;
- f. competition broadening, enabling measures.

#### 11. Present Instruments

Basic ones extant - at least in serious intent:

- a. Rural Rehabilitation/PDP;  
(Adequate for next 3 to 5 years - priority is to articulate, finance, staff, inaugurate, broaden);
- b. Same as "a";
- c. Salario Minimale monitoring by DNP; general growth enabling (including spin-off of "a/b" on rural purchasing power for urban produced goods); Labour's small enterprise credit scheme and - perhaps - the Instituto. More attention to FS/Poverty aspects of first two and broadening third (not new instruments as such) appear 3 to 5 year priorities;

- d. Supplement alimentario (try to broaden to all employers), GAPVU (see whether we can get to at least 40,000 households over 3 to 5 years), Accion Sociale/NGOs (domestic, e.g. churches, women, mosques, Red Cross) focusing on special groups which fall through GAPVU net and/or need more case by case attention, e.g. street and 'home based' street children; skill deficient school leavers; alcoholics, social relations, psychological problem households (includes war trauma); women with large households - no male earner in household - no salario - no skills. This assumes a division of labour which is not yet articulated much less agreed. It cannot eliminate all overlap - e.g. last AS/NGO 'target' is coverable by GAPVU as to survival but not as to how to increase earned income potential.

I admit if I were to be asked best single priority for Accion Sociale I'd say war trauma adults and children working with domestic NGOs and focusing on care - talk - social support (psychological/human) - skills training. As they do handle orphans aspect this may not be as unacceptable to them as it might seem on its face. Saude can provide some diagnostic and professional input but no standard, clinical approach is feasible for both personnel and fiscal reasons. Organised community level "tender loving care" after some quick training with AS leading NGOs who provide most of care and Saude providing some technical input into AS leadership/c-ordination/training role may be feasible. Nothing else is practicable for reaching - say - 200,000 children and at least an equal number of adults.

Arguably education/training for disabled is second priority for AS. Education won't be able to put much priority there nor will any Ministry with "own sector" training/education look that way. Northern style special schools and sheltered employment in state sector can't be done. Again AS as leader/trainer, NGOs/Communities as care providers, Educacao as professional adviser might be workable.

If AS did focus on 1. Trauma, 2. Handicapped, 3. Other Groups needing individual attention and increasingly supported-catalysed-trained-coordinated community/domestic NGO action this could be very useful, give AS a real role (and a prestigious/popular one if it played it well) and reduce potential muddling overlap.

Largest safety net is Emergencia to Deslocados. This needs to be transformed to dual purpose: survival support in camps and re-establishment support "back on the farm". Here DPCCN-UNDP-UNHCR triad and other actors are useful. On their own, smaller ones (UNICEF, Foreign NGOs) may be if we know what they are doing and they increase degree of working through domestic NGOs-communities-local government. Some (e.g. many of USA NGOs created by USAID as channel for food aid) may not have much capacity beyond survival aid but tossing them out is low priority (and high potential cost). The old Calamities function should be revived - presumably Manica drought is an example where it has been and as camps empty it will be dominant safety net in rural areas. (The re-establishment food support is really part of production enhancement not safety net. Conceptually that is important; institutionally will need to use DPCCN-UNDP-UNHCR triumvirs for both.)

This section is longer than sections "a/b" or "c" because we are less clear on broad directions, not because it is more important!

- e. implies reform not abolition of SNA and non-ration analogue shop chain and of AGRICON. On Agricon a floor price/buyer of last resort presence parallel to achieving plausible commercial efficiency (possibly breakeven, possibly a controlled loss) is needed. This needs political agreement that is the goal (or we will absentmindedly promise a donor to abolish it!) and discussing ways and means with UTRE and Finance. SNA/Commercio set price outlets outside Biera/Maputo need reflection. We seem to have promised AID (and World Bank?) to abolish ration element by end of 1993. (This presumably includes parallel "Social Bakery/Bread" system?) This may have been ill-considered but is probably not so detailed as to foreclose a "fair price shop" restructuring.

The principles would include:

- a. private and co-op retail outlets;
- b. concentration of outlets in canisas, low income cimento barrios, district towns (i.e. outside less poor areas);
- c. private and co-op and expresa wholesalers;
- d. fixed prices built up on:
  - i.) c.i.f. or ex-manufacturer cost;
  - ii.) limited (but not unreal) gross margins at wholesale, retail;
  - iii.) realistic transport costs.
- e. narrow product range (4 or 5 agricultural tools, maize/maize meal, perhaps bread, perhaps rice, sugar, salt, tea, vegetable oil, 'telephone bar' soap);
- f. preferential access to supplies (easier with an empresa or co-op wholesaler);
- g. complete retailer freedom to stock goods not on "e" list and to sell at 'free' market price;
- h. favour competition, i.e. bias toward several retailers each district town, canisa and no bias to largest, richest ones so long as prospective member enterprise looked viable;
- i. end formal rationing but limit sales at one time to one customer to present effective monthly ration levels (rather for below nominal so lowest would need to be set as 1 kilo or 1 litre) where these exist.

This is a variant of Indian "fair price shop" analogue. The advantage to retailer (if "f" works) is volume of goods that yield at least some margin and bring in people who also buy "g" goods. (Frankly, ideally co-op shops but we haven't the people for managers-bookkeepers-committees to make that dominant component. But should have - in Comercio? - training down to District level to build up co-op capacity.)

Whether it can work depends on -

- a. enough goods of "e" range that they are in stock often enough poor families do get them (all, every day is a daydream);
- b. enough non-attraction so that rich don't rush to them (location shift would help as however wide "f" is it will be less than in a cluster of central cimento shops).

If we are to float this idea we need to explore with Commercio (presumably it has some idea for "After NSA, what?" Other than AIDs "The free market").

This is not a subsidy scheme but a means to limit high scarcity profits (rents) on the most basic goods. These are what ordinary an person (who may be wiser on this than either neo-liberals or orthodox Marxists!) calls exploitation. The SNA role in physical food supply security is fading; this role remains. For it ration cards are, perhaps, unnecessary and nationally they are impracticable.

12. If you agree broadly I would advise:

- a. Professor Galli comment, criticise, put in ideas;
- b. she (and Food Security Unit at Comnescio or moved to DNP) begin articulating/consulting;
- c. I either "look in" again in February or act on specific instruction here earlier;
- d. at whatever stage you view as wise (perhaps early, perhaps after a-b-c) you have discussion with/secure instructions from Vice Ministro (including whether a more formal paper after a-b-c should go to CNP and CRPs are done -).



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**Annex: Theft - Leakages And All That**  
 (To: National Director Only)

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**'Leakages'**

As a general debate this is a futile one. Leakages are bad. Leakages are unequally bad. Some level of leakage is universal. The name of the game (if it is leakage reduction we are really seeking) is to identify types of 'leakage' and what can be done to reduce them. For example:

a. Distribution Chain - "klepsi klepsi" or petty theft.

Some of this is inevitable. 2% to 4% from harbour or farm to consumer may be the bottom line. (That would seem to be cumulative port losses through employee shop-lifting range in North given a relatively non-poor labour force and some seriousness in theft control.)

- But we are well (very ill actually) above that level. Why?
  - i. most workers handling food are very poor and very ill-paid. They need to steal;
  - ii. most supervisors are also ill-paid, not unsympathetic to poorer workers, stealing themselves (still at a level of what is "needed" for attempt at lower middle class consumption bill);
  - iii. therefore there is a mutual interest in klepsi klepsi ("chopping of the backside" in Ghanaian terms) into which almost any guard/security employees will be sucked until real wages/salaries are less low and the risk of job loss outweighs need to put something (salario minimal level) or a chicken (supervisory level) in the pot.

b. Recipient Fraud/Coercion

- i. Fraud in sense of false registration (Emergencia or abasticimento) seems to be rather low - there apparently the lack of mutual interest and physical shortages of food do hold fraud down;
  - ii. coerced deliveries to date are the result of near starving people not on recipient roster but able to organise. Basic 'culprits' (if that is word for truly hungry people taking food to feed families when they can see no other option?) are: a) soldiers, b) militias. When "a"/"b" act then so do urban or non-deslocados rural residents but rarely on their own.
- Here the "cure" is evident: physical availability and entitlements (albeit in Zambesia, which has had bulk of reported cases, the former has been dominant) need to be in place or the problems can only worsen.

c. Gang Operations

The study on Harbours Theft makes very clear there are oligopoly/organised/large scale theft units. It also makes clear not all that much is seen as practicable to do until there is a very different security situation. I deplore the apparent reality but am not competent to say what more can, in fact, be done.

- larger scale theft by greedy managers does happen (and I suppose "free-lance" banditry in non-political sense). That is a police matter - better auditing, better trained and equipped commercial crimes police, standard anti-armed robbery tactics are needed. Here no public sympathy for the culprits nor any serious interaction with most of state apparatus capable of blocking action exists. The resource needs however, are non-trivial especially on auditing/commercial police personnel side.

d. "Diversions" Out of Abastimento (other than 'pure' theft

Clearly wholesalers (totally illegally) and retailers (by sleight of hand to reduce SNA sales to have stocks left to unload on 'free' market at end of month) do divert SNA goods to increase their profits. As wholesalers fall in greedy manager category and retailers probably want to keep licenses and SNA allocations something can be done - if more, better trained auditors/inventory flow tracers/commercial police.

- However, until either no subsidy and/or the commercial price (c.i.f. RSA border plus normal trade margins plus transport) is very close to SNA there will be high incentive to leak by diversion.

e. Overall

So long as food is physically scarce, many households (involved in food commerce and handling) are very poor and "there is a war on" the realistic goal is to control and erode "leakage" but to recognise that increasing supply and reducing absolute poverty are the key medium term instruments to making massive reductions of "leakage" possible (even if not inevitable unless auditing/police/court side steps are taken). The one leakage which would deserve higher, earlier direct attack priority would be exports of food which are not believed to be significant.

- However, there is a problem with this approach. Donors - understandably - are irate at present "leakage" levels and running out of patience. Therefore, a serious attempt on 'police' side is probably necessary to get real wage and physical supply (including food aid) message a serious hearing. The Harbours' large scale looting is particularly problematic in this context - no donor will be as ready as I am at "c" to defer action and I do not see how data showing bottom line of problem can be shown to them if as explosive as they seem to be. "Almost all ports have theft records out of line with other branches of commerce/transport. Entrenched gangs are common and hard to root out - look at, e.g. New York. Because of war we cannot use massive armed force which is needed elsewhere and because of war too many guns are loose" is not untrue but how convincing PM/President can make it I cannot guess.

This is especially so as technical advice or an operational team from a low theft port - e.g. Singapore - wouldn't help; what was wrong would become very public but whether it would be stopped is not so sure a matter, and dead TA people in port whom we could not promptly "avenge" would be an external relations disaster.