Mozambique's poverty reduction from a dynamic perspective
– An application of synthetic panels –

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Context

- Mozambique achieved fast growth until 2015
  - Growth rates above 7% in most years after 2000

- Poverty reduction
  - Headcount about 70% in 1996/97, down to 46% in 2014/15

- From 2015 onward a series of shocks hit the country:
  - Drop in prices of some of the commodities exported; weakened international demand due to economic crises; natural shocks; debt scandal; increasing violence in Cabo Delgado; Covid-19

Context

- A lot is known about poverty (poverty assessments, papers)

- However, little is known about poverty and vulnerability dynamics

- Lack of nationally representative longitudinal household data

- Understanding poverty and vulnerability dynamics is key to design different policy for different forms of poverty (transitory, chronic)

Aim

- Studying poverty and vulnerability dynamics, based on cross-sectional data only

- Possible when applying the synthetic panels approach (Dang et al., 2014; Dang and Lanjouw, 2013; 2014)

- This method permits to compute probabilities of transition between different states
  - Poverty, non-poverty, vulnerability

- Applied to the 1996/97, 2002/03, 2008/09 and 2014/15 cross-sectional household budget surveys
  - With a stronger focus on the two most recent surveys
  - Only the 2008/09-2014/15 are presented here due to the time limit
  - At national level and for different household categories

- Some of the poverty and vulnerability-related aspects may also be relevant in light of the Covid-19 shock, which seems to be limited in time, but with possibly significant long-term consequences
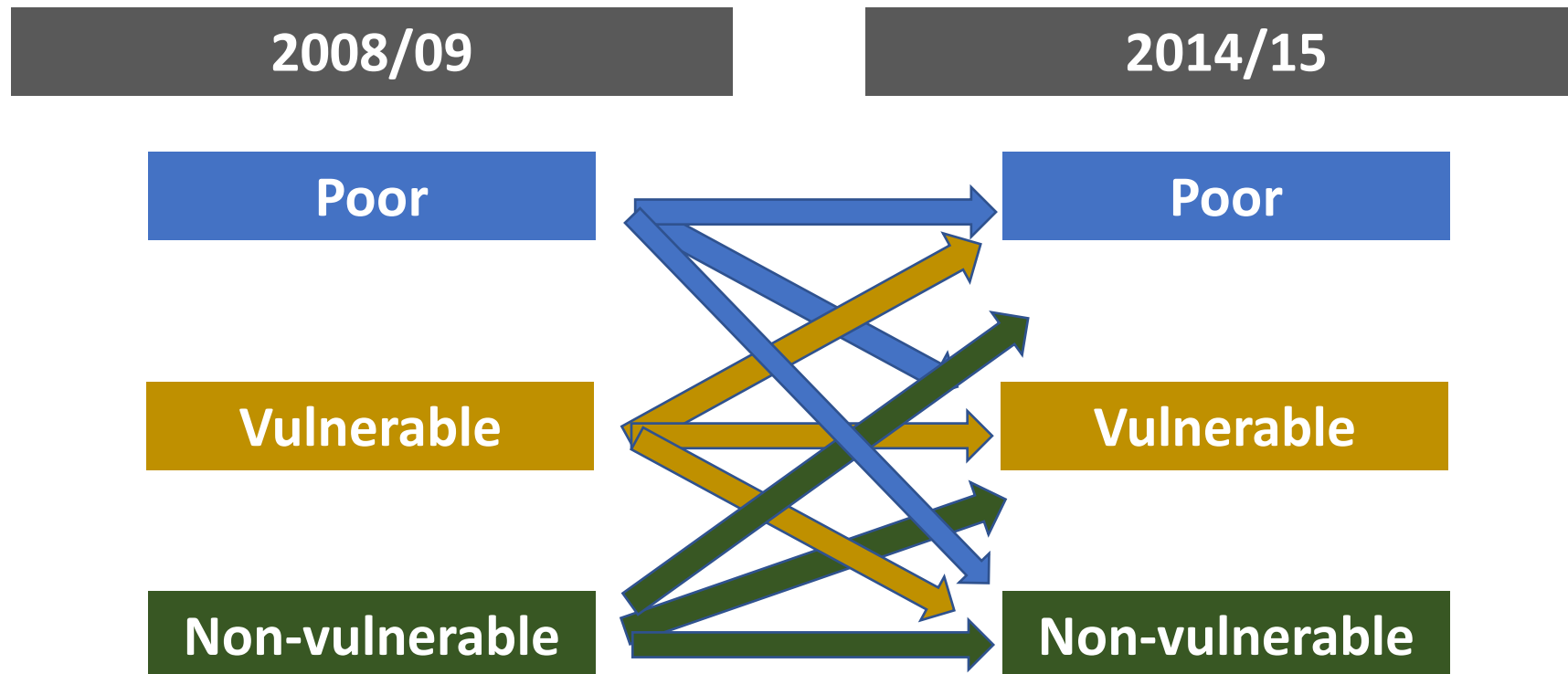
Methodology

- Examples of poverty transitions
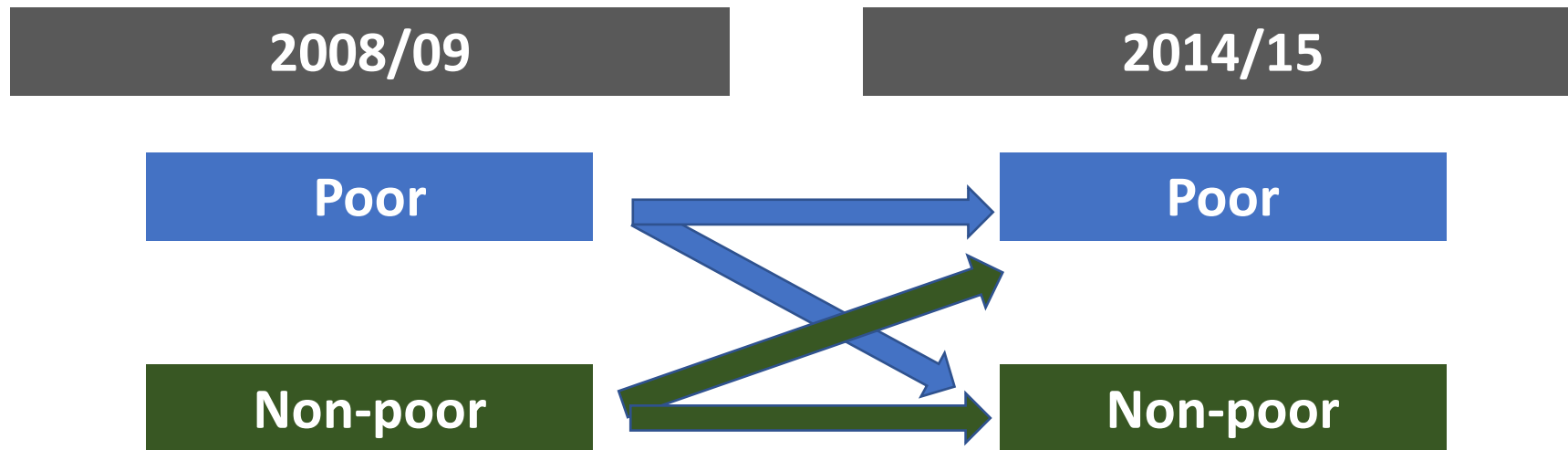
Methodology

- Examples of poverty-vulnerability transitions

Results – 2008/09-2014/15

- High degree of poverty immobility
  - 37% of the population is poor in both years
  - 39% of the population is non-poor in both years

- Overall poverty mobility is not very likely, but movements between poverty and non-poverty occur in both directions and in comparable magnitudes
  - 15% of the population is poor in 2008/09 and non-poor in 2014/15
  - 10% of the population is non-poor in 2008/09 and poor in 2014/15

- Remaining poor in 2014/15 given that the individual was poor in 2008/09 is much more likely than becoming non-poor (70 vs 30%)

- Likewise, remaining non-poor in 2014/15 given that the individual was non-poor in 2008/09 is much more likely than becoming poor (80 vs 20%)

Results – 2008/09-2014/15

- The probability of remaining poor in 2014/15 given that the individual was poor in 2008/09 (poverty immobility) is especially high:
  - For rural areas (74%) and for northern and central regions (70-80%)
  - For households whose head works in subsistence agriculture or small trade activities (70-75%)

- The probability of becoming non-poor in 2014/15 given that the individual was poor in 2008/09 (upward mobility) is higher:
  - The higher the education level of the household head
    - Above 50% if completed secondary school (12 years)

Results – 2008/09-2014/15

- Vulnerability

  - 23% of the population is vulnerable in both periods (living between 30 and 75 Mt/person/day)

  - Even for households that are not in poverty, relatively high chance (60%) to remain in the vulnerable group for relatively long periods

  - The probability of being in the vulnerable group in both periods not very different for households in urban/rural areas or in different regions

  - Probability of downward transition from vulnerability to poverty is 25% at national level, even higher for rural areas and for Niassa, Cabo Delgado, Nampula and Zambezia

  - Greater mobility between the poor and the vulnerable group, much more limited mobility towards and from the non-vulnerable group

Conclusions

- This study is an attempt to analyze poverty and vulnerability dynamics in Mozambique
    - Using all the available cross-sectional survey data
    - And using a technique – synthetic panels – that allows to do that even without longitudinal data

- We expect this to provide useful information also in light of the Covid-19 shock
    - Even though more affected household categories may be have changed
    - IOF 2019/20 will be key to study it!

- This analysis provides important information for policy makers, especially when things are back to normal
    - To design specific policies for different forms of poverty (transitory, chronic) and vulnerability
    - As an example, from our results it seems it would make sense to target rural areas in the centre-north for chronic poverty policies, while it would seem reasonable to plan a universal social protection policy for the vulnerable group