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