



Reality Checks in Mozambique

- Building better understanding of the dynamics of poverty and well-being -

Annual Report

Year Four, 2014 – Entrepreneurship



ORGUT

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The Reality Checks in Mozambique are implemented by ORGUT Consulting (Sweden) in association with COWI Lda (Mozambique) and the Chr. Michelsen Institute (Norway) on behalf of the Embassy of Sweden in Maputo. The Reality Checks are implemented between 2011- 2016, with fieldwork being carried out each year in the Districts of Cuamba, Majune and Lago in the Niassa Province. Sub-Team Leaders are Carmeliza Rosário, Minna Tuominen and Inge Tvedten.

This is the Annual Report for the 4th Reality Check, synthesising the main findings from the three sub-reports. The report is written by the Team Leader for the Reality Checks in Mozambique Dr Inge Tvedten - with support from Carmeliza Rosário, Minna Tuominen and Dr Samuel Jones (Thematic Advisor).

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1. Carpentry, Lago. Photo: Inge Tvedten
2. Industrial Mill, Lichinga. Photo: Sam Jones
3. *Barraca*, Majune. Photo: Yara Berti

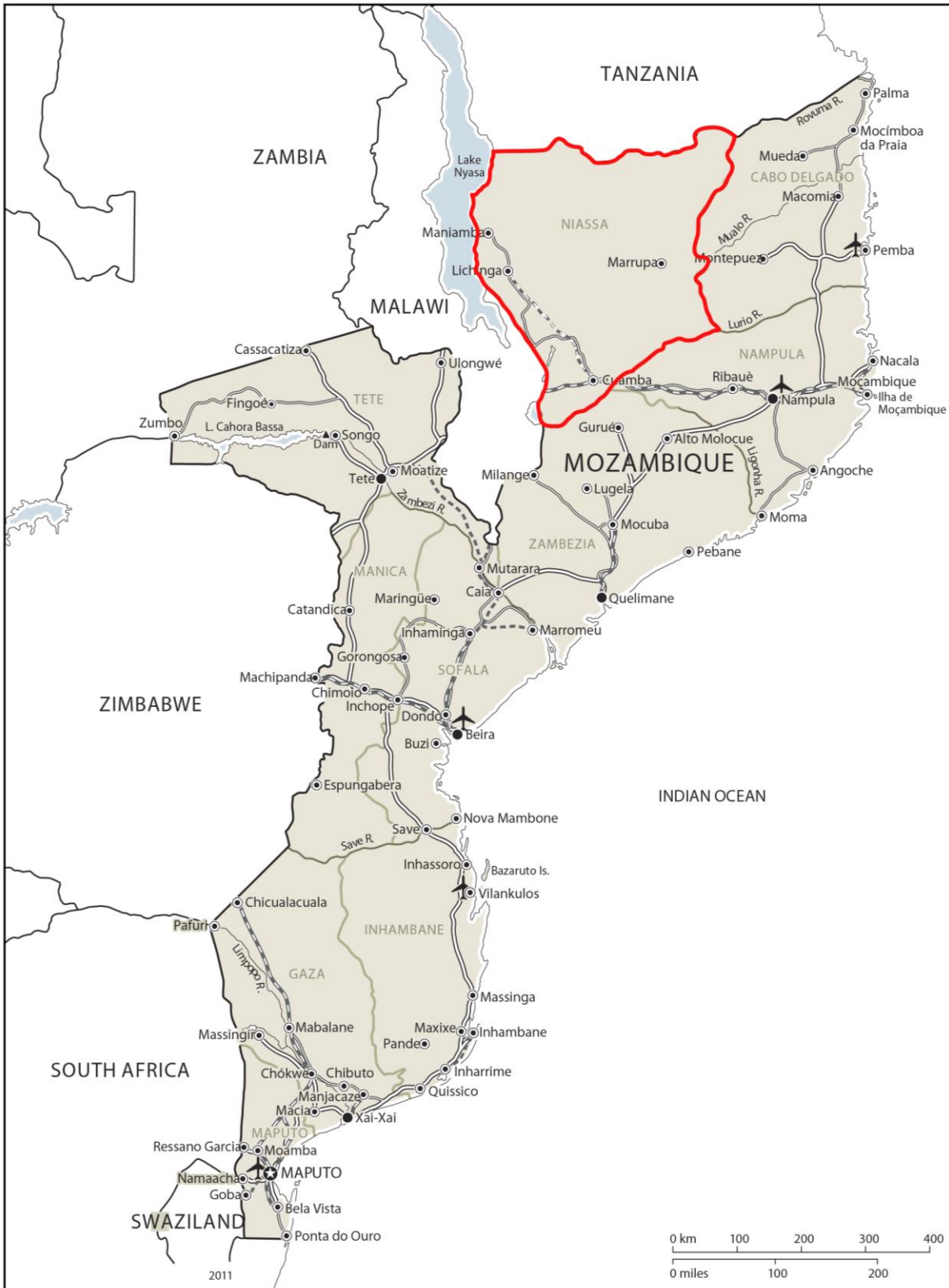
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ABBREVIATIONS

ADC	Action for Community Development (Mozambique)
AMODER	Mozambican Association for Rural Development
BAU	Balcão de Atendimento Único ('One Stop Shop')
DIC	Provincial Directorate for Industry and Commerce
DNI	National Directorate for Industry
DPIC	Provincial Directorates for Industry and Trade
FDD	District Development Fund
GAPI	Society for the Promotion of Small and Medium Sized Enterprises
GEM	Global Entrepreneurship Monitor
IFAD	International Fund for Agricultural Development
INAS	National Institute for Social Issues
ISPC	Simplified Taxation for Small Contributors
FM	Malonda Foundation
MIC	Ministry of Industry and Trade
Mt	Meticais
PROMER	Programme for the Promotion of Rural Markets
SDAE	District Directorate for Economic Activities
SME	Small and Medium Sized Enterprise
SSA	Sub-Saharan Africa

Map 1. Reality Checks Mozambique / Niassa



1. INTRODUCTION

Poverty monitoring and evaluation in Mozambique primarily take place within the framework of the implementation of Mozambique's Poverty Reduction Strategy PARP/A (GdM 2005; 2011), and is informed by quantitative data derived from different types of national surveys and similar studies done by bilateral and multilateral aid organisations (see e.g. INE 2010; MPD 2010; World Bank 2007; UNICEF 2011).

However, by their quantitative nature such surveys do not capture all the dimensions of poverty that are relevant to the design of policies and programmes. While quantitative data yield valuable information about the mapping and profile of poverty over space and time, qualitative data are necessary in order to better understand the dynamics of poverty and the coping strategies of the poor (ORGUT 2011a; Addison et al. 2009).

1.1 The Reality Checks

Against this background, the Swedish Embassy in Maputo and the Swedish International Development Cooperation Agency (Sida) have decided that there is a need to assess the impact of development and poverty reduction policies 'from below', and to regularly consult local populations in order to understand local processes and relationships.

A series of five "Reality Checks in Mozambique" will take place in the period 2011-2016, focussing on the dynamics of poverty and well-being with a particular focus on good governance, agriculture/employment/climate and entrepreneurship that are key result areas in Swedish development cooperation with the country. Each Reality Check will be published in the form of one Annual Report and three Sub-Reports from each of the three selected study-sites (see ORGUT 2011a for more details).

More concretely, the "Reality Checks in Mozambique" are expected to:

- Inform the public discussion among key development actors on poverty reduction, especially in the province of Niassa;
- Contribute to a better understanding of qualitative poverty monitoring methods in Mozambique;
- Provide Sweden with relevant qualitative data on developments and results from its engagement in Mozambique and support further implementation of its programme in Niassa.

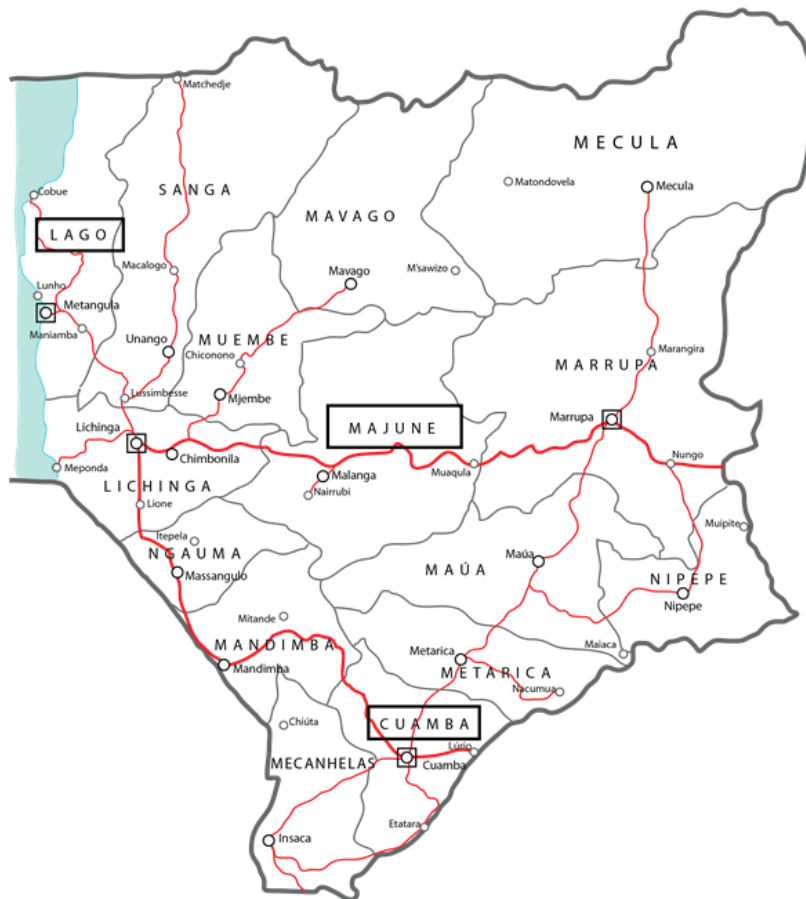
The Reality Checks are expected to achieve these objectives by enhancing knowledge on:

- Poverty (non-tangible dimensions of poverty, such as vulnerability and powerlessness; poor people's own perceptions of poverty; causal processes underpinning poverty dynamics: coping/survival strategies adopted by women and men living in poverty);
- Local power relations and relationships with state institutions (formal [i.e. political, administrative] institutions that enable or constrain people to carry out their strategies; informal [i.e. cultural, social, family or kin-based etc.] institutions that enable or constrain people to carry out their strategies), and;
- Policies and services (access to, use of and demand for public services according to people living in poverty; quality of public services according to people living in poverty).

There is also an expectation that the Reality Checks shall, to the extent that it is relevant for the local population under study, pay special attention to "priority issues identified in the annual reviews of projects and programmes within Swedish priority sectors" (see Terms of Reference).

The series of studies was initiated by an Inception Report published in August 2011 (ORGUT 2011a). Through that exercise, it was decided that the Reality Checks shall be based on fieldwork in three different Districts/Municipalities in the Province of Niassa that display variations in terms of geographical locations, access to public services and levels of poverty and well-being. The three areas selected were i) the District of Lago; ii) the Municipality of Cuamba; and iii) the District of Majune (see Map 2).

Map 2. Reality Checks Mozambique / Niassa Project Sites

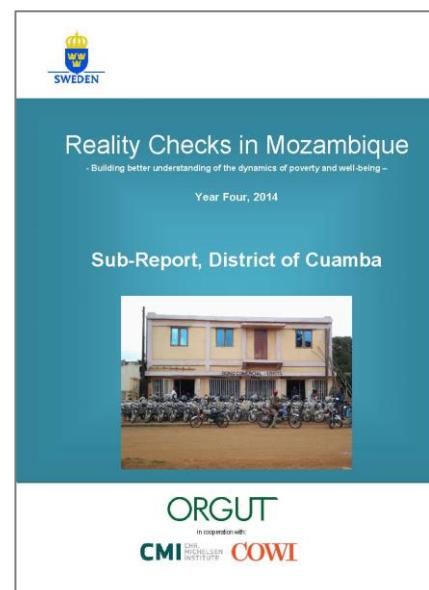


Fieldwork for the 1st Reality Check Mozambique was carried out in September 2011, with Sub-Reports from the Districts of Lago (ORGUT 2011b), Majune (ORGUT 2011c) and Cuamba (ORGUT 2011d) as well as the 1st Annual Report synthesising main findings (ORGUT 2011e). The 1st Reality Check serves as a ‘baseline’ for subsequent reports, and includes background information and data about Niassa and the three project sites that are useful when reading the subsequent reports for the period 2012-2015.

The 2nd Reality Check was carried out in September 2012 (ORGUT 2012a, b, c and d). In line with the Terms of Reference, the reports for the 2nd Reality Check had a thematic focus on governance. The 3rd Reality Check in Mozambique was carried out in June 2013 (ORGUT 2013 a, b, c and d), with a thematic focus on agriculture, employment and climate. This is the Annual Report for the 4th Reality Check, synthesising the main findings from the sub-reports on Cuamba (ORGUT 2014a), Lago (ORGUT 2014b) and Majune (ORGUT 2014c). Fieldwork was carried out in August 2014. Upon request from the Swedish Embassy, the original thematic focus on physical and social infrastructure was substituted with a focus on entrepreneurship in order to better feed into current Swedish priorities.

The Reality Checks produced so far have been presented and discussed in a number of different settings, including i) the Swedish Embassy in Maputo for national stakeholders; ii) in seminars in Lichinga for representatives of government, civil society and the private sector in Niassa; iii) for Local Government in Cuamba, Lago and Majune, iv) in interviews on the national news broadcast “Notícias”; v) for the

Illustration 1: Cover of the Cuamba Sub-report



community radios in Majune, Lago and Cuamba; and vi) through expositions of photos, participatory exercises etc. in all three project sites (ORGUT 2011f). Upon requests, we have also started to distribute reports to Secondary Schools in the districts where we work for use in the social sciences.

1.2 Methodologies

Methodologically, the studies are based on a combination of quantitative information derived from the National Institute of Statistics (INE) and District Authorities; a Baseline Survey in the three project sites carried out for this project; key informant interviews in the provincial capital Lichinga and the selected Districts/Municipality; participant observation in the local communities selected for fieldwork; and a set of qualitative/participatory methodologies including immersion with households in different socio-economic positions. The methodologies are described in detail in a separate report entitled “Reality Checks in Mozambique. Analytical Approach and Methodologies” (ORGUT 2011f), but a brief summary is in place:

Quantitative data. For the mapping of poverty and well-being in Niassa, the team relates actively to existing quantitative data. These include the 2007 National Census (INE 2009b); the 2008/09 National Household Expenditure Survey (INE 2010); and other more sector-specific studies (see List of Literature). In addition to national data-sets, we use quantitative data from locally based surveys with particular attention to data produced by provincial-, district and municipal governments that form the basis for their development plans – including the Provincial Social and Economic Development Plan (GdN 2007, 2011, 2013) and the District Social and Economic Development Plans (PESODs).

We have secured adequate quantitative data to map poverty and well-being and peoples’ relations to public services in the three study sites by carrying out a Baseline Survey with a total of 360 households or 120 in each site (see ORGUT 2011f). The survey is to be done twice with the same families, i.e. in the beginning (2011) and end (2015) of the project period, and represents rare panel-data. The Baseline and the follow-up survey seek to combine i) classical socio-economic data on the composition of households, income and expenditure, levels of education, health and access to public services; ii) questions relating to people’s perceptions of conditions in the household and their community and iii) the social relationships (with public institutions, aid projects, family, friends etc.) in which they are engaged.

Qualitative data. For the political/institutional dimensions of the Reality Checks, we mostly rely on i) semi-structured interviews with key development actors including provincial government, district/municipal government, Institutions for Community Participation and Consultation (IPCCs), traditional authorities and private sector representatives, and ii) case-studies of concrete programs and interventions with a focus on the theme for each report. We also complement the classical anthropological methodology of ‘participant observation’ with a set of concrete participatory methodologies that are applied in focus groups, and expanded case studies at household level (ORGUT 2011f). The groups are composed of men or women, young or old or a mixture of such groups, depending on the topic at hand.

Illustration 2: *Presenting Project Findings*



Photo: Yara Beti

The participatory methodologies used for the 4th Reality Check include the Most Important Change (with the objective of identifying the main political, economic and social changes in the community during the past year); the Community problem matrix (identifying and ranking the most important problems that affect the community in general and agriculture, fisheries and employment in particular); and Force-Field Analysis (identifying the most important existing businesses/entrepreneurs, what type of businesses/entrepreneurs the community would like to see in the

future, and the pros and cons of getting there). In addition, we revisit and refer to focus group exercises done in the 1st (2011), 2nd (2012) and 3rd (2013) Reality Checks to assess possible developments and/or changes.

Focus Households. The initial wealth ranking exercise done in 2011 formed the basis for our identification of Focus Households with whom we relate closely through various forms of immersion during the course of the Reality Checks. As will be discussed in more detail below, the communities tend to distinguish between 2-4 levels of poverty or 'poor people' and 1-3 levels of well-being or 'better-off' people – each with their own dynamics and position in the communities. Altogether 21 Focus Households have been selected from these categories and will be interviewed in depth every year, with a focus on changes in their social relationships with the extended family, neighbours and friends, community organisations and state institutions as well as in their socio-economic position.

Research ethics were discussed in the Inception Report (Orgut 2011a). We seek to deal with this by being transparent about the objectives of the Reality Check study series, by carefully selecting and securing the anonymity of people we interview and relate to¹, and by systematically disseminating research results back to stakeholders in relevant institutions and the communities under study.

1.3 Socio-Economic Indicators

We will end these introductory notes with a brief outline of poverty and well-being and the situation as regards private sector/entrepreneurship in Niassa to put the study in context. The province stands out as having shown the clearest and most consistent improvements in consumption-based poverty over the past few years – even though from a very low point of departure. Poverty in the province has been reduced from 70.6 percent in 1996/97, to 54.1 percent in 2002/03 and to 31.9 percent in 2008/09 – albeit disguising an unusually high discrepancy in poverty between male-headed households (28 percent) and female-headed households (45 percent) (INE 2010). As seen from Table 1 below, Niassa shows a varied picture in relation to other quantitative indicators of poverty and well-being in Mozambique. An important aspect of the Reality Checks in Mozambique is to assess the realism, relevance and dynamics behind these figures, by applying qualitative and participatory methodologies involving the population itself.

Table 1: Key Socio-Economic Indicators – Mozambique and Niassa (Percent)

Indicator	Mozambique	Niassa
Poverty Headcount	54.7	31.9
Gini Coefficient (0-1)	0.414	0.427
Proportion Female Headed Households	29.6	16.3
Illiteracy of household head	44.3	51.6
Primary School Attendance Rate	81	78
Chronic malnutrition under five years	43.7	45.0
HIV-AIDS Prevalence	11.5	3.7
Quality housing (solid roof)	24.8	8.1
Electric lighting in dwelling	13.2	5.8
Bicycle ownership	38.1	65.4

Sources: MISAU 2005; INE 2010 and 2009a.

In official quantitative terms (INE 2010), the three Districts possess a set of social and economic characteristics that reveal their similarities and differences. As seen from Table 2, Cuamba is most populous followed by Lago and Majune. Cuamba generally comes out as the best-off and Majune as the poorest and most deprived district of the three – with the exception of bicycle ownership where Lago scores low primarily for 'topographic' reasons. Otherwise they share characteristics of a high proportion of households defined as female-headed. The indicators of poverty and well-

¹ This relates to the options for people from outside the community to identify focus households. Inside the community people know who they are, but as we have selected households from all social groups we seem to have avoided unwarranted attention.

being are important and frequently used in national and donor statistical accounts, and will be updated at the end of the Reality Checks project period when new comparative data will be available (data collection for the upcoming National Household and Expenditure Survey was initiated in July 2014). However, we shall see that they only partially reflect people's own perceptions of what it means to be 'poor' or 'well-off'.

Table 2: Social Indicators – Districts of Lago, Majune and Cuamba (Percentage)

Social Indicators	Cuamba	Lago	Majune
Population	184.773*	83.099	29.702
Proportion Female Headed Households	24.0	35.1	35.2
Primary School Attendance	67.3	65.01	54.3
Solid Roof Housing	0.79	1.18	0.13
Electricity at Home	6.3	4.38	0.39
Radio ownership	55.0	67.5	45.0
Cell-phone	3.3	0.97	0.61
Bicycle Ownership	68.0	29.8	63.1

Source: INE 2009 * of this population, 79.779 lives in the Municipality of Cuamba.

The economic context in which people in the three districts develop their coping strategies and efforts for upward social mobility is reflected in Table 3. The data are taken from the District Economic and Social Plans (PESODs) and their reassessment (Balanço), which are the key policy-making instruments of the District Administrations. Also these data reveal differences between the three districts, both in their ability to collect these types of data, and in type and level of economic activities. Some dissimilarities are the natural outcome of differences in population (such as total agricultural production), and others by geographical distinctions (such as fish production and number of tourists), but some also indicate how each District Administration fulfils its responsibilities for developing their District (number of extension workers, investments in forestry, energy-clients, number of social security beneficiaries, the use of the District Development Fund etc.). Updated figures will be given in each Reality Check, in order to ascertain the Districts' own representation of developments in their area of jurisdiction.

In 2014, the key documents for assessing the municipality/districts own data have changed character. Both the PESOD and the Balanço, which earlier contained a combination of explanatory text and tables now only present the latter. This makes it more difficult to assess the relevance and quality of the data. At the same time, the capacity to produce the type of data in the table varies. While Cuamba has seen an apparent improvement in that more data is available, it was not possible to get the full range of relevant data in Lago and Majune this year. For developments in each district since 2011, we refer to the individual sub-reports.

Table 3: Economic Indicators – District of Lago, Majune and Cuamba 2013

Economic Indicator	Cuamba	Lago**	Majune**
Area under cultivation (Ha)	147 980	n.d.	n.d.
Agricultural production (1000 kgs)	207,309	87.480	n.d.
Agricultural extensionists	10	5	n.d.
Domestic animals heads/kgs/owners	67,012	n.d.	n.d.
Forestation (new trees/ha)	524,820	n.d.	n.d.
Number of tourism beds	464	n.d.	n.d.
Industries	175	103	n.d.
Commercial establishments	385	n.d.	n.d.
Energy (number of clients)	12,212	2.300	n.d.
INAS (Number of beneficiaries)	3585	n.d.	n.d.
District Dev. Fund (No. of Projects)	195	113	227
District Dev. Fund (Total, Mt)	10,433,690	n.d.	n.d.
Distr. Dev. Fund (Reimbursed, Mt)	1,089,567	n.d.	n.d.

Sources: GdN/Dd Cuamba 2014 ** No 2013 data were available for Lago and Majune at the time of study.

1.4 Private Sector / Entrepreneurship in Niassa²

Defining entrepreneurship: The role of entrepreneurs in processes of growth and development has attracted a large literature. At the outset, however, one must recognize there is no established definition of what exactly constitutes an ‘entrepreneur’, especially in low income contexts (Desai, 2009; Naudé, 2011). Following Schumpeter, the economics literature has often focused on entrepreneurs as innovators, which broadly refers to the identification and exploitation of gaps in a competitive market place – e.g., bringing new products to market. In the context of low income countries, however, where markets are poorly diversified and productive capabilities are generally far from the international frontier, reliance on a narrow definition of entrepreneurs as innovators may prove rather restrictive.

In light of the above, a broader definition of an entrepreneur is: “someone who manages, organises and assumes the risk of a business or enterprise through investments in physical capital”. Two aspects of this definition merit comment. First, the entrepreneur is a manager that makes business decisions. Thus, they are responsible for the strategy of the enterprise and, ultimately, its interaction with clients, suppliers, and employees. Second, entrepreneurs assume personal financial risk in the enterprise. In advanced countries, we might understand this as taking a significant equity stake. In low income situations, where many entrepreneurs have not formally established (incorporated) their businesses, taking on risk implies activities such as upfront purchases/rental of premises, accumulation of working capital (stock) and/or investment in physical capital equipment from which a future stream of returns is expected. Thus, the key point is that the entrepreneur not only manages but also has an ownership stake in an enterprise that deploys physical capital assets to generate income.

Entrepreneurship in Mozambique: Turning to the specific case of Mozambique, there has been very little serious quantitative or qualitative research into entrepreneurship *per se*. In part this reflects data limitations – information regarding the enterprise sector is patchy, no complete census of registered companies is available, and survey data focuses exclusively almost on manufacturing firms. Thus, a large swathe of domains where entrepreneurs may be located – e.g. informal enterprises and/or in service or construction activities – remain broadly absent from view.

With respect to the formal/legal framework covering business enterprises, Schou and Cardoso (2014) summarise the official definitions used to distinguish between types of firms. In principle, the registration of manufacturing companies in Mozambique is governed by Decree 39/2003 of 26 November 2003 (GoM 2003), which classifies industrial establishments into four classes (micro, small, medium, and large companies) according to three criteria (initial investment, installed electrical capacity, and number of workers). This is summarised in Annex 1, Table 1.

The steps required to start a business depend on the size of the firm. Registration of all enterprises is required, but falls under the competency of different bodies depending on one’s location. For instance, registration of medium and large enterprises is the responsibility of the Ministry of Industry and Trade (MIC), through the National Directorate for Industry (DNI). Registration of small enterprises is the responsibility of provincial governments, primarily through provincial directorates for industry and trade (DPICs). Micro-enterprises are registered by the district authorities (i.e., *Serviços Distritais de Atividades Económicas, SDAE*), but these are in the process of having their responsibilities extended (see below for ongoing changes in divisions of responsibility).

The New Commercial Code (*Novo Código Comercial, Decreto-Lei Nº2/2005*) simplified the steps required to start a business. These are summarized in Annex 1/Table 2. Steps 1 to 4 refer to what is required for registration, which is obligatory for all business. Thus, a common definition of whether a firm is formal is whether they have a unique tax number (NUIT). The remaining steps refer to formal licensing, which is required for all business other than micro enterprises (see Annex 1/Table 1). However, micro companies operating in either the food or pharmaceutical industries also need authorization to operate (Schou and Cardoso, 2014).

The most recent ‘Doing Business’ report for Mozambique (World Bank, 2013) reveals a number of persistent challenges. As shown in Annex 1/Figure 1, while there has been reasonable progress with respect to the formal number of procedures and time required to register a business,

² This section has been written by Sam Jones, the thematic advisor for the 2014 Reality Check.

Mozambique is very far from the ‘frontier’ in other areas – namely, registering property, access to credit and contract enforcement. Moreover, these rankings are based on what is officially required in law rather than on effective implementation on the ground, which can vary considerably.

Rand and Schou (2012) use data from manufacturing enterprises in Mozambique to identify changes in perceived constraints to the business environment between 2006 and 2012 (for the same firms). As set out in Annex 1/Table 3, they find that the share of firms that identify access to land, anti-competitive practices and transport as serious problems has increased. Also, interestingly, the largest share of firms cites competition from illegal imports and contraband as a serious problem. If nothing else, these insights point to the unpredictable nature of Mozambique’s business environment as well as structural challenges facing even the most established firms. It is reasonable to conclude that these challenges limit economic opportunities, especially for ‘novice’ entrepreneurs without significant financial backing, economies of scale or political contacts that might help overcome these constraints.

Entrepreneurship in Niassa: If data limitations are pertinent for Mozambique as a whole, they are more considerable for individual provinces, especially Niassa. Due to a general absence of manufacturing activities in Niassa, for instance, the province has not been included in recent enterprise data collection surveys (DNEAP, 2013). Indeed, the estimates provided by Schou and Cardoso (2014) suggest that Niassa has the lowest number of manufacturing enterprises of all provinces (see also DNEAP, 2013).

The view that non-farm business activity is incipient in Niassa is also gained from household-level surveys. Annex 1/Table 4 indicates that informal entrepreneurialism is found in the urban areas of the province (i.e., 13 percent of urban households contain a household enterprise), but is significantly less prevalent than in other provinces (e.g., in the south). Census data from 2007 for the province of Niassa supports this conclusion. From this data one can define a ‘potential entrepreneur’ as non-agricultural workers that report being either self-employed or an employer. Annex 1/Table 5 reports the share of workers that can be classified as such. As expected, urban areas show considerably more potential entrepreneurs, with around 1 in 4 workers fitting this definition. In rural areas, due to the dependence on agriculture, potential entrepreneurs are sparser with a slight exception being the district of Lago, where 18 percent of workers are potential entrepreneurs. This likely reflects the higher prevalence of mining activities.

Illustration 3: *Motorbike shop, Cuamba*



Photo: Carmeliza Rosário

An interesting issue is whether these potential entrepreneurs are self-employed or employers by choice or by necessity. Some insight on this can be gained from identifying the share of these workers that pursue one activity (i.e., are specialized) or multiple economic activities (i.e., are diversified). Annex 1/Table 6 reports the share of potential entrepreneurs that pursue multiple economic activities. A common interpretation of this is that they are therefore more likely to be driven by necessity rather than choice.³ The statistical evidence suggests that necessity is a key driver of much ‘potential entrepreneurialism’, implying that the real extent of genuine entrepreneurs is significantly lower than the shares reported in Annex 1/Table 5.

Finally, what do we know about programmes and/or support available to nascent or active entrepreneurs in Niassa? Notably, the government’s Niassa Province 2007-2017 strategic plan explicitly identifies a lack of entrepreneurialism (*falta de empreendedorismo*) as a significant weakness and makes the commitment to establish entrepreneurial centres in strategic districts.

³ We will return to an alternative interpretation of this later in the report.

Substantial donor funds have been channelled toward the Niassa provincial government and Lichinga municipality to implement their strategic plans, largely from the Irish government.⁴

Microfinance activities have been encouraged by the Malonda Foundation (FM). In this light, a mid-term review of the Malonda programme (Lambert, 2013) notes that: the FM has supported five new financial providers to become established in Niassa; 24 SMEs received credit; and 651 micro companies benefited from microcredit provided by AMODER (*Associação Moçambicana para o Desenvolvimento Rural*), the majority of which went to informal traders. This success is nuanced, however, by low repayment rates (Lambert et al., 2013: 8). Other programmes of relevance include PROMER (*Programa de Promoção de Mercados Rurais*), financed by IFAD, which aims to enable small-scale farmers to increase their income from agriculture by helping them to market their produce more profitably.⁵

⁴ For a list of donor funds / projects in Niassa see: <http://www.odamoz.org.mz/reports/provinces/1>.

⁵ See: http://www.ruralpovertyportal.org/fr/country/voice/tags/mozambique/mozambique_road.

2. THE PRIVATE SECTOR IN CUAMBA, LAGO AND MAJUNE

2.1 Most Important Changes

Starting as usual in this series of Reality Checks with an overview over main overall changes in the areas of study since past year (2013), getting to Cuamba is still complicated despite the town's growing economic importance both in the province and for regional markets. One way is by road via Lichinga, a second by road via Nampula, and a third via a still slow and unreliable train from Nampula. At the same time, an increasing number of engineers and workers come to the city to work on the rehabilitation of infrastructure. Partly to accommodate this influx, Cuamba has a new bank and several new hotels and restaurants. Public investments seem to go slower, with work on health and educational facilities that started last year still not having been finished. In the communities being the focus of the Cuamba study, some new investments in infrastructure are also in place albeit at a slow pace. Despite many economic activities in Niassa's economic capital, however, there are few larger structural changes affecting the overall characteristics of the city.

Arriving in the district capital of Lago, Metangula, the most visible sign of development and change is the large number of houses being constructed up towards the hitherto barren mountain surrounding the town. There is also a new quay for the passenger boat Tchambo, taking people between Lago and Malawi that was sold by government to a private investor last year. New economic establishments are dominated by shops (*barracas*), restaurants and bars - but there is also a new barbershop with posters of the hottest West African fashion, a new house along the road advertising the services of *curandeiros*, and a new chicken-nursery. Approaching the Vila that houses public institutions and employees, a new stone cobbled road has been constructed leading to the District Administration and a Memorial for heroes of the independence struggle has also been built since last year. The large number of people on the beaches surrounding Metangula – fetching water, cleaning kitchen utensils and clothes and taking baths – is a reminder of the continued lack of potable water in the town.

Arriving in Majune late at night, the most visible change since last year is the arrival of electricity to the district, which has spurred a more active nightlife with much more people staying outside their dwellings than what had been usual. While still benefiting only a few people, the plan is to expand gradually to areas outside the district capital and to more houses⁶. Other changes highlighted by the District Administration include piped water supply in the district centre, a new ambulance for the district hospital, a tractor with a leveller to ensure better roads and an increase in the number of INAS beneficiaries, and (as all over the province) an increase in the number of Movitel antennas that greatly facilitates communication. A still untapped potential for local economic development and employment creation is the growing number of game parks and related tourist establishments that are all run by people from the outside (Monte Mozal, Majune Safari, Safrique and most recently Bué Safari). Despite changes, however, Majune continues to be an isolated and sandy district where most people live at the limit of subsistence.

2.2 Economic Framework

In the following, the broad picture of the private sector and entrepreneurship in Mozambique and Niassa presented above will be subject to a more detailed analysis from the three selected study sites Cuamba, Lago and Majune, based on interviews with government officials and other authorities, and our own quantitative and qualitative data (see sub-reports for more details).

While an analysis of the larger macro-economic context is beyond the scope of this study, it is clear that Niassa is currently undergoing changes related to recent investments in forestry, mining, cash-cropping, growth corridors and linkages to growing economies in Cabo Delgado and

⁶ According to the District Administration, people with 'formal' houses built of bricks have to pay 3500 Meticaís for connection, while people with more rudimentary types of dwellings (*palhotas*) have to pay 895 Meticaís.

Nampula that will effect entrepreneurs. As we will show, however, economies of scale of this nature has a tendency not to ‘trickle down’ to the type of local communities and local entrepreneurs that are the focus of this study.

As noted above, the municipality/districts display variations in terms of geographical locations, quality of public services as well as levels of poverty and well-being. They are also different in terms of the profile and relative importance of private sector/entrepreneurial activities – with Cuamba as an urban hub having a relatively large commercial sector, Majune having very few establishments fulfilling the formal criteria for businesses/entrepreneurship, and with Lago finding itself somewhere in between these two.

Before arriving in Cuamba, Lago and Majune, interviews were conducted with a range of government and private sector agents in Lichinga. The main purpose of these interviews was to develop deeper qualitative insights into the context facing entrepreneurs in the province, focusing specifically on constraints and opportunities. Before considering these, it should be emphasised that interviewees consistently noted – that is, they were actively aware of – the limited state of development of the private sector in Niassa. That is, most activities involve small-scale commerce or trading of agricultural products. In Lichinga, there is a small services sector, but this is limited in scale. Industrial or manufacturing activities are notable by their absence.

A principal constraint facing economic agents in the province is the weak road and rail infrastructure in comparison with the rest of the country. This leads to extremely high transport costs. For instance, it costs around 140,000 Mt to transport goods by freight (35 tonne lorry) between Nacala and Lichinga, compared to just 60-70,000 Mt between Nacala and Quelimane, which is a similar distance. Moreover, as the road to Nampula is not asphalt, road access is extremely precarious (impossible) in the rainy season. The relevant point is that this represents a significant constraint on the development of productive activities since these must operate at scale to be profitable but scale requires access to a larger market. Work has commenced to fully upgrade the Lichinga-Nampula road, however given the scale this project will not be completed for a number of years.

A second factor that directly influences the economic structure of the province is the strength of the currency (Metical). Relative to Malawi and Tanzania, goods are generally more expensive when purchased from elsewhere within Mozambique, especially when the elevated transport costs are added. The strong Metical makes it advantageous to make purchases in Malawi or Tanzania.⁷ For example, many rice producers prefer to sell their rice to traders who take it for processing in Malawi where the processing costs are lower and factories more reliable. Broadly, this situation creates few incentives to engage in manufacturing or productive activities.

The central role of commerce and small-scale trade in the province is reflected by the operation of the licensing entities. Changes to legislation have made it simpler to start-up a business. Indeed, services or trading activities licenses can be acquired in one day at the One Stop Shop (*BAU*) in Lichinga or at government offices in individual district capitals (*SDAE*). Licensing is somewhat more complicated in the case of tourism or industry as sight inspections are required and labour regulations must be complied with. These requirements and complexities substantially add to the costs of setting-up specific types of activity, weakening incentives in these sectors relative to commerce/services. Additionally, a number of interviewees noted that the scope to encounter ‘difficulties’ or bureaucratic hurdles tends to increase with the number of different government agencies that one must deal with. “The Government may have good intentions, but the government is made up of people (*“Pode haver boa vontade da parte do governo, mas o governo é constituído por pessoas”*).

It should be noted that, in addition to the acquisition of an initial trading license, there are also regular (e.g., annual and/or monthly) fees for permits to undertake certain business activities and/or to undertake construction or rehabilitation projects. These vary between sectors and municipalities/districts (see below). Also, taxpayers under the simplified regime must pay 3 percent of sales to the tax authority on a trimestral basis. Table 4 below provides a stylized example of the costs that an operator of a small shop (*barraca*) might face in the first year of operation. Assuming

⁷ We experienced this ourselves: Hitchhiking with a truck-driver on his way to Tanzania, he did not bring with him one single item from Mozambique, but claimed he would return from Tanzania after two days with a full load.

total monthly turnover of just 1,000 Mt, these costs – which are taken from the structure of fees in Metangula -- amount to around 20 percent of total annual sales (in the first year). If the monthly turnover was 10,000, the corresponding share would be 5 percent of sales. This way, the various fixed fees/costs of doing business are regressive in the sense that they are more onerous for smaller businesses.

Table 4. *Costs for small shop owner Lago/Metangula, first year of operation*

Expense Item	Cost/Year (Mt)
Cost of trading license (simplified regime)	1500
Approval of project for commerce	400
Annual fee for barraca	550
Monthly fee for barraca	100×12
3% sales tax on monthly sales of 1000	1000×12×0.03
Total	4010

There is limited awareness of government activities that aim to support/promote local small and medium-sized businesses in the province. Aside from regulatory simplifications and the District Development Funds (7 million Mt scheme), no interviewees from the government or private sectors were able to point to other additional activities undertaken to support local businesses. One area for consideration, suggested by one interviewee, is more strategic use of government purchasing contracts. Indeed, many operators – both in Lichinga and Metangula – highlighted the critical role of government purchases in total final demand, particularly for services such as accommodation, food, and construction projects.

A regular concern voiced by economic agents outside of the capital is the limited access to financial services. Most district capitals have no bank branch or other institution where deposits/withdrawals can be made. This is not only a source of insecurity for businesses but also adds significantly to operating costs because regular travel must be undertaken to the provincial capital in order to access financial services. Greater expansion of mobile money services and/or mobile banking would benefit small businesses significantly.

In sum, the structure of economic activity in Niassa reflects the small size and limited purchasing power of the market and its relatively isolated geographical position relative to the rest of Mozambique. While government interventions have reduced some red tape there are few proactive interventions that would stimulate the emergence of new activities, particularly in the productive sectors (outside of agriculture).

2.3 Institutional Context and Formalities

Despite the public responsibilities for private sector developments outlined above, the situation on the ground is complex and unclear. Interviews with relevant officials from the District and Municipal administrations in Cuamba, Lago and Majune show that they do not see it as their role to support and develop the private sector and entrepreneurs. Rather, they see their main role to be to issue licences, collect taxes and contribute to fiscal obedience. If anything, the relevant officials argue that the most important thing they can do to develop the sector is to contribute with good infrastructure in terms of roads, electricity and communication. The only direct intervention to support the private sector is the FDD, but they all acknowledge that this has not lived up to expectations (see below). At the same time they argue that there is a lot of local initiative, but that most people do not have the resources and the knowledge to start up a business.

At the district level, SDAE is formally vested with the responsibility for licensing businesses. While larger businesses previously were under the responsibility of the Provincial Directorate for Industry and Commerce (DIC) located in Lichinga, SDAE now has the same mandate as the BAU and the 'simplified regime' (see above). In each district, SDAE has at least formally a separate unit dealing with 'Industry and Commerce' even though they may not have people qualified for that task. Two other institutions are currently involved in licensing and taxation at the Municipal/District level. One is the *Autoridade Tributária de Moçambique*, so far only established in Cuamba, Lago, Mandimba and Marrupa, that deals with personal income tax from owners of small and micro enterprises (Imposto Simplificado para Pequenos Contribuintes, ISPC). And secondly, municipalities (Cuamba

and Lago in our sample) collect various enterprise taxes within the municipal boundaries. There is, as shown in the Illustration, a large number of potential ‘taxas’ in existence, denoted as ‘Annual taxes’, ‘Monthly taxes’, ‘Daily taxes’, ‘Other taxes’ and with different rates for different types of enterprises.

The formal laws and regulations related to licensing and taxation are clearly stated in relevant legal ordinances, that are available for local government employees and for which many have undergone training courses (see e.g. GdN 2011). Concerning the simplified licensing system, for example, responsibilities are listed under the headings i) agriculture, ii) trade and services, iii) construction, iv) sports, v) industries, vi) transport and communication, and vii) tourism; legal definitions are given for each type of activity (in trade and services between *banca*, *barraca*, *comércio*, *ambulante*, and *loja*); taxes/fees for each type of activity are listed; as are specifications of measures in cases of non-compliance under each heading.

Despite formalities being largely in place, however, there is broad agreement among public sector stakeholders that the system does not function as envisaged. SDAE in particular is understaffed, gives priority to agriculture (*‘somos todos agrónomos’*), and only seem to have a partial understanding of what the formal system of licensing and taxation entails. In Majune for example, an SDAE technician stated that they issue a ‘simplified license’ for 1.400 Mt and a ‘rural identification card’ (*Cartão de Identificação do Operador da Actividade Comercial Rural*) for 575 Mt – but could not explain the difference. In Lago, the technician stated that they were to license small-scale businesses that are not “*ambulantes*”, who are the responsibility of the Municipality, and not larger businesses, that have to go to Lichinga” - hence not realising that a new simplified system is in place and confusing the areas of responsibility for the District and the Municipality respectively.

As seen from Table 5, the large majority of the businesses/entrepreneurs that are registered in Cuamba, Lago and Majune are in commerce or trade, with a much smaller number in manufacturing industries and construction (see the three sub-reports for changes over time). According to public officials in Lago and Majune, for example, only one entrepreneur has so far been registered under the simplified regime in each of the districts, and only 50 ISPC payees have been registered in Lago with many simply not paying. According to the same officials emphasis has been given to fiscal education rather than penalties, which staff says is very difficult to carry out⁸. However, also ‘fiscal education’ seems to be an uphill battle: In all three areas under study many people say that they will not pay because they do not feel that they get anything back from the State. Among those we have interviewed who have registered and do pay their argument is that they think this will open doors for economic relations with the government.

Illustration 4: Taxes!

TAXAS ANUAIS	
1. Barraca de tipo A	450,00
2. Barraca de tipo B	350,00
3. Barraca de tipo C	250,00
4. Licença de vendedor ambulante Nacional	500,00
5. Licença de vendedor ambulante Estrangeiro	1.200,00
6. Barracão	1.200,00
7. Depósito	200,00
8. Pedágio Pedestre	50,00
9. Indústria Moagem	800,00
10. Remoção de Resíduos	150,00
11. Remoção de Moinho e Camisa	150,00
12. Sembrança Solidária	300,00
13. Serviço de Reciclagem	50,00
14. Taxa Anual venda bebidas Tradicionais	200,00
15. Alvará	200,00
16. Caldeiraria	150,00
17. Reparação de Rolagens	150,00
18. Saneamento	200,00
19. Lavagem	50,00
20. Engenharia	200,00
21. Oficina (Fabrico pastilhas de freno)	150,00
22. Reparação Eléctrica	300,00
23. Venda de Lata	75,00
24. Alvará	200,00
25. Venda de Material de Construção	600,00

TAXAS MENSAIS	
26. Barraca tipo A, B e C	100,00
27. Taxa fixa de água canalizada	150,00
28. Taxa Mensal de Água Canalizada	300,00

TAXAS DIARIAS	
29. Venda de carne	15,00
30. Venda de Peixe, Feijão e Hortiçola	10,00
31. Venda de Milho	15,00
32. Venda de Produtos Perisháveis	10,00
33. Venda de Produtos Tradicionais	75,00
34. Outros Produtos Frescos	1,00

OUTRAS TAXAS	
35. Utilização balneários Públicos	3,00
36. Contrato água canalizada	400,00
37. Taxa rede água canalizada	250,00
38. Licença de Construção de Infra-estrutura	400,00
39. Aprovação projecto de construção	400,00
40. Aprovação projecto Indústria	400,00
41. Fabrico de pilões em betão	300,00

Photo by: Sam Jones

⁸ The exception is police who control for licences etc. at entry points to the three areas under study, often levying a mixture of formal fines in accordance with the book and ‘informal’ ones in the form of petty corruption or ‘refresco’.

Table 5: Registered Numbers and Types of Entrepreneurs, Cuamba, Lago and Majune 2013

Type of Enterprise	Cuamba*	Lago	Majune
Shops/Barracas	452	288	130
Mills	179	73	35
Carpentries	10	7	23
Garages	4	2	11
Constructors	n.a.	10	5
Blacksmith	n.a.	-	4
Pensions	18	29	3
Others	6	2	-

2.4 Funding and Training

The main source of funding for businesses/entrepreneurs continues to be the District Development Fund or the '7 million Mt scheme', initiated in districts in 2006 and extended to also include municipalities in 2012. The Fund's annual allocations per district/municipality has increased to around 8 million Mt (or 260.000 USD), which is a considerable sum in political/administrative areas that have very limited funds for self-initiated public investments. Allocations vary between 20.000 Mt and 200.000 Mt, with formal requirements for repayment over a period of three years. The original objective of the FDD was to contribute to income generation and employment creation, and the fund has reached a large number of people in Cuamba, Lago and Majune. At the same time, it is increasingly acknowledged by public sector stakeholders that the programme has a number of serious flaws. The proportion of projects that can be characterised as 'successful' is relatively limited, the selection process has been based on favouritism and nepotism rather than business qualifications,⁹ and the repayment rate has been very low. Available data on total number of projects, total value of projects and the value of reimbursements for Cuamba, Lago and Majune appear in Table 3. Table 6 below shows project allocations for 2013 in Majune.

Table 6: Types of projects approved for DDF funding in Majune in 2013

Type of initiative	Approved projects	Approved range of funding
Agriculture production	89	20,000-60,000
Sales of agriculture produce	77	35,000
<i>Barraca</i> and other kind of trade	24	20,000-60,000
Setting up a milling facility	14	50,000-139,000
Sale of fuel	6	30,000-55,000
Carpentry/saw milling	3	30,000-76,000
Bread production	3	25,000-30,000
Small animal husbandry	2	35,000-50,000
Production and sale of meals	2	35,000
Smith (mechanic)	2	50,000-171,000
Repair of electric appliances	1	100,000
Small workshop	1	35,000
Purchase of a vehicle	1	390,000
Setting up hair dressing services	1	22,000
Artisanal fishing	1	20,000
Total	227	

Source: Data derived and analysed on the basis of district government statistics

⁹ This year, the Lago District Administration has held back the entire FDD allocation to the Administrative Post of Cobwe. The lists they received kept changing names and too many were known to be closely related.

According to public authorities, one solution to the problems currently affecting the FDD could be to focus more on people with a proven record as economic agents, and give them additional funding to expand and create more employment. Others argue that the money should rather be used for infrastructure (roads, electricity and communication) that benefit all economic agents. Authorities also acknowledge that many people lack basic competence in doing business, and argue that money should be accompanied by some form of business training. The challenge is how to ‘repair’ a system that people have come to see as a source of (unfairly and unequally distributed) unconditional funding.

In Majune and Lago there are no banks (in Lago a branch of ‘Banco BCI’ is supposed to open later this year), and high interest rates and costs for transportation make banks in Lichinga irrelevant for most people (mobile banking is still not accessible in the two locations). Cuamba has four banks (BIM, BCI, Standard bank and Mozabanco), but in addition to high interest-rates, they will not accept customers without collateral and guarantees. There are micro-finance institutions in Cuamba that give loans such as GAPI, AMODER, ADC and Micro-Crédito de Cuamba, but these primarily give loans to small-scale entrepreneurs in commerce or *comércio* where investments are small, returns quick and risks most limited.

“If we take up a loan from a bank the interests are so high that we have little in return. The bureaucracy is also too much.... We need to pay too much, and they lie about the percentages. The government should intervene in this. It is easier to ask [for money] from friends, because the business does not always succeed”.

Focus group with economic agents, Cuamba.

Practically all entrepreneurs we have met and interviewed are ‘self-made’, without formal training in establishing or doing business. In Majune, the most successful entrepreneurs have a certain level of schooling, which they say is important for success particularly in competitive environments such as Lichinga where much communication is in writing. In Lago, however, the most successful entrepreneurs only have a few years of primary education and seem to take pride in being ‘self-made’. At the same time, the very few who have taken some kind of course in basic business management claim they have benefited a lot from it – particularly in terms of being able to “plan and calculate” as one put it .

There are relevant training initiatives in Niassa that are little known. Upon arriving at the airport in Lichinga, a large poster advertises ‘business-courses’ (see Box). An NGO has been running short-term management courses for local people given responsibility for smaller community-based labour-intensive projects. And in Cuamba, the Directorate of Education promotes a two-day course in entrepreneurship, the Secondary School has classes in entrepreneurship, and there is an annual prize given to young innovators by the Directorate of Youth, Science and Technology.

«General accounting and finance / Management of human resources / Public relations / Management of projects / Economic viability studies / Marketing and sales techniques / Planning and budgeting / Procurement / Practical and technical English / Applied information technology».

Bassela Training College: Invest in Your Future. Minimal entry requirement 10th Grade

2.5 Larger Entrepreneurs

Below we will present some of the businessmen and entrepreneurs we have encountered in Lichinga, Cuamba, and the District capitals of Lago and Majune during our fieldwork, who fulfil the formal definition of an entrepreneur being “someone who manages, organises and assumes the risk of a business or enterprise through investments in physical capital” and the formal criteria for micro-, small-, medium- or large enterprises (Annex 1, Table 1). In the local languages ‘business’ is termed *malonda* and larger-scale businessmen are denoted *munthu wa malonda*.¹⁰ This will make it possible to assess the dynamics of the formal system described above, and its main constraints

¹⁰ Local variations of this term include *owipwanhera* in Cuamba meaning “those with the ability to provide employment”.

and opportunities. In the next chapter, we will assess entrepreneurship ‘from below’ taking our point of departure in peoples own (*emic*) perceptions of what constitutes a ‘business’ and ‘entrepreneurs’ – which are no less important for economic development and poverty reduction in the communities concerned.

Lichinga is the provincial capital and largest city in Niassa, and also houses the bulk of the province’s government institutions. There are a number of entrepreneurs at different levels and in different sectors. Among the most successful businesses are construction companies, supermarkets, hotels and restaurants, more specialised professional services from garages to hairdressers – and also some more innovative establishments not following the ‘beaten track’ such as selling old car batteries to Tanzania and laundry services. One of the larger entrepreneurs has built himself up from selling small buns or ‘bolinhas’, and now owns a construction company, supermarkets, restaurants and maize-business and employs a total of 37 workers. Lichinga also has a few agro-industries, including one consisting of an agricultural consulting company, a chicken-nursery with 2500-3000 chickens, soya-production (10 hectares) and a banana-plantation of 2 hectares.

Case: One young man employed in a bank has built up a photocopy and computer business. He is one of the few we have met with a business/accounting education (“I learnt the importance of basing a business on viability studies”). His dream is to open a laundry-shop (*lavandaria*), which he claims is missing in Lichinga. Nevertheless he wants to keep his bank employment, as doing

business in Niassa is risky (“*As entrepreneur one has to work a lot, you cannot sleep at night. It is much more risky than working for others*”).

Illustration 5: Maize Flour Made in Cuamba



Photo by: Nair Noronha

Involving government relations and more money than in other areas in Niassa, entrepreneurs in Lichinga have special challenges. As one entrepreneur expressed it: “*The government is our biggest client, but also the main origin of loss [O governo é o melhor cliente, mas [tambem] o maior prejudicador]*”. While the process of obtaining a business license has become relatively easy, larger entrepreneurs argue that they pay so many taxes that they are not even able to list them all. Also, when government and government employees use local businesses, such as shops and restaurants, they very often end up paying

very late or not at all. There are several examples of businesses struggling hard or having gone bankrupt in the city for this reason. The most serious accounts of illicit practices are related to the construction sector. “*Nobody wins a public bid with honesty*” one entrepreneur claimed. Public officials often contact potential bidders directly and help them win, he argued, claiming up to 10 percent of the value of the relevant project when the project has been secured.

In Cuamba, larger entrepreneurs tend to be either foreigners, people with experience from other countries, or people coming from other cities such as Nampula. Being the city in Niassa with the most diversified economic environment and with large infrastructure projects (see above), the number of entrepreneurs in Cuamba has increased considerably. The foreign entrepreneurs, such as Brazilians and Nigerians, tend to work with the construction of the railway and roads, while others focus on supporting industries such as hotels and restaurants. The few local entrepreneurs are often members of families with a long tradition of being in business, or people in strong positions such as former military. This indicates that, for local actors, it is very difficult to build oneself up from scratch and become larger actors in the private sector.

People interviewed in Cuamba can readily name the largest local entrepreneurs in each main economic activity sector. One owns different stores and warehouses selling a diversity of products including construction material, furniture, cleaning products, plastic containers and staple food – and has a family who has been doing this for a long time. Another manages a restaurant he and his brother inherited from their parents. He refurbished the restaurant and bought trucks for transportation with loans from AMODER. After a long struggle he has also managed to get a loan from one of the local banks to open a new restaurant. And a third, who is a Portuguese with a long

history in Cuamba, owns a fishery business and a mill. In Cuamba, being landlocked, seafood is relatively expensive and hence has potential, he argues. In his mill he focuses on maize flour, which he plans to sell in Nampula and other larger population centres as the local market is too small.

In Lago, interviewees listed around 25 businesses that they consider to be managed by entrepreneurs in the formal sense of the word. With the influence from Malawi, they use the English term 'businessman' for these people. The list includes nine boats transporting people and goods to Malawi, five shops (*barracas*) and stores (*lojas*), four carpenters, four transporters, two fishing boat owners and one brickmaking enterprise. All except two are involved in more than one economic activity (ranging from two to six), and all except two come from outside of the district capital Metangula. In Lago, the definition of a 'real' businessman seems to rest on a combination of the size/value of the business, and its location/visibility in the town. Practically all businesses mentioned are located in Metangula's business centre or in the public/government section of the town, with only one being established in one of the bairros where the majority of people live.

Illustration 6: *Transport Company, Cuamba*



Photo by: Carmeliza Rosário

Case: Among the shop/store owners, one is from Bangladesh and recently moved to Mozambique. He set up his business with the help of relatives, and made a thorough investigation before he decided on Lago. To avoid problems he systematically contacted all relevant public officials to get necessary licenses and permits, and he even invited the relevant officials to the opening day. He claims he is particularly vulnerable as a foreigner (*'Os outros não tratam muitos documentos'*). His total monthly sales have increased from 30,000 Mt in 2012 to 90,000 in 2014, and he pays between 2,000 and 4,000 Mt in monthly contributions to the state. 'The Bangladeshi' (as he is known) employs five people.

Other shops are owned by people from Niassa either selling a broad variety of basic necessities, or more specialised goods such as clothing, flour in larger quantities, agricultural tools and fishing equipment. These shops tend to be smaller, managed and run by the owner and his close family, and with smaller turnover.

Other more 'innovative' types of businesses in Metangula fulfilling the formal definition of 'entrepreneurship' include pensions or guest-houses (some of which are managed by women); hairdressers and barbers; beauty salons; carpentries; chicken farms; a gym for aerobics and rope skipping (!), and a nursery for plants. Most of these have been established and are run by people from well-off families or with formal employment in government, and all have at least one other source of income. They have also all spent much time and effort getting necessary licenses and permits, claim they pay too much taxes, and are struggling to get enough customers and capital to extend their key business. A wish to extend the business is shared by all the entrepreneurs we talked to, with trade/commerce and transport being the most coveted sectors.¹¹

In Majune, there are very few entrepreneurs in the formal sense of the word. The population is small, the purchasing power is limited and even the district capital is quite isolated despite progress in roads and telecommunication (see above). Larger entrepreneurs in the district include owners of guesthouses, construction firms, flour mills, shops, fishing enterprises and transport businesses. Partly because of the small size and transparency of the 'everybody knows everything about everybody' type in the community, many of the larger entrepreneurs tend to locate parts of their business interests outside Majune – mainly in Lichinga. Yet there are people who do all their business in Majune.

¹¹ Interestingly, none of our interviewees listed the three major enterprises in the district that are all owned and run by Europeans – the Norwegian forestry company 'Green Resources', the tourist resort Mbuna Bay owned and run by a Swiss national, and the famous Nkwichi Lodge listed by National Geographic as one of the 10 best vacation spots in the world – as if these are not part of their world.

Case: One of the few successful entrepreneurs in the district is a man of around 40 years of age, who still lives in his local community. He started off as a bricklayer, then started to produce tobacco, and then - in cooperation with his brother - started to sell spirits, soap and *capulanas* that he brought from Malawi. Today the entrepreneur has one of the best equipped *barracas* in Majune, and travels twice a month to Malawi to purchase commodities. Despite his success, he continues to run the business on his own as he claims he cannot find a person he trusts. When he is out travelling, he closes his shop.

Case: An entrepreneur in Majune demonstrates the vulnerability also of larger entrepreneurs in the current context. He has two wives (one from whom he is divorced) and a total of eight children to support, and has seen his many businesses deteriorate rapidly the past year. First, the household head bought a second-hand mini-bus from Japan through an on-line agency and paid 12,490 USD for it. When trying to bring the vehicle into Mozambique, the customs officials charged him 341,000 Mt (approx. 11,000 USD) for the importation. The sum was considerably higher than he had been initially informed, and until today he has not been able to take the car out. While still waiting for the new minibus to arrive, his construction company ran into problems. The company's main client disapproved of the quality of the materials used (building bricks) and the entrepreneur had to use his savings to rebuild parts of the infrastructure. In the meantime his old minibus broke down, and could not be repaired without a new engine. The household head has given up the hope of recovering it and has started to sell the bus in pieces. In addition to all this, the *barraca* owned by the household was poorly managed by an acquaintance and eventually had to close down. As a consequence of this critical situation, the family decided to move to Lichinga two months prior to our visit, partly because they hoped to find new business opportunities there and partly because of the shame caused by his social downfall in Majune.

Illustration 7: *Chicken.nursery, Lago*



Photo by: Inge Tvedten

How much do they earn?

Talking about business profits can be tricky. First, many smaller entrepreneurs tend to confuse profit with revenue. Second, they often do not keep books and have only a rather vague idea of the profits. Third, many bigger entrepreneurs, who do keep books, do not want to reveal their profit level. However, on the basis of the information gathered, the estimated profit level of selected entrepreneurs in Majune are:

- Trader of straw piles: 600-750 Mt/dry season (price per pile: 25 Mt)
- Producer of mud bricks: 10,000-30,000 Mt dry season (price per brick: 1 Mt)
- Tailor: 5-40 Mt /day
- Miller: 700-1,000 Mt /day
- Big *shop/barraca* owner: 40,000-60,000 Mt /month
- Transporter of passengers: 50,000-80,000 Mt /month

2.6 Summing Up

Referring to the cases above, some key characteristics of formal entrepreneurship in Cuamba, Lago and Majune emerge: One is the heavy concentration around trade, mainly in the form of shops or *barracas*, and the resulting dearth of businesses in productive/manufacturing activities. A second is the lack of cooperation among entrepreneurs, be that formal in the sense of business associations or informal in the form of clusters. A third is the slow or incremental way entrepreneurs build up their businesses, with very few examples of larger upfront investments based on borrowed capital. A fourth is the preference for distributing assets and efforts in various business domains rather than focusing on one and achieving economies of scale. A fifth is the dominance of external actors among the larger entrepreneurs in Cuamba, Lago and Majune, who

do not belong to the local community and are hence not susceptible to local socio-cultural pressures and expectations. And a sixth is the discrepancy between the formal system of licensing and taxation that is largely in place, and the actual 'informal' way the system is functioning with businesses either not licensed at all or licensed and subject to a taxation system that few people seem to understand and that is open to abuse.

3. SOCIAL CHANGE AND ‘ENTREPRENEURSHIP’ IN THE COMMUNITIES

Moving on to the local communities in Cuamba (Maganga/Aeroporto), Lago (Meluluca) and Majune (Malila) which are the main points of reference in this series of Reality Checks, we will also here start by assessing the main changes from last year based on interviews with key public and community-based actors and participatory/qualitative methodologies including ‘Most Important Changes’ (see sub-reports for more details). We will then make a particular assessment of the status and role of economic agents or ‘*wa gueni*’,¹² as this is defined by people in the communities themselves. While on a smaller scale than the *munthu wa malonda* entrepreneurs discussed above and falling outside of the national definitions of entrepreneurs given in Annex 1/Table 1, they still adhere to the criteria of making own investments and taking risks – often with at least as much at stake for themselves and for their communities than in the case of larger economic agents.

3.1 Most Important Changes

In Cuamba/Maganga and Aeroporto, focus groups of men and women highlighted the opening of a new bank as the most important change. They saw this as a sign of increasing economic activities outside of agriculture, also evident by the large number of construction workers in colourful attire walking around the city. There have also been increasing activities related to the railway between Tete and the port of Nacala, and roads leading to Cuamba are being upgraded. Linked to these activities there are new warehouses selling construction material, and there are more motorbikes and bicycles in circulation. Changes more directly affecting the population in the *bairros* are an increasing number of people and, the groups claim, more employment opportunities in construction and commerce, better access to clean water, better coverage of electricity and better health and school facilities. The groups were, in other words, positive concerning developments in the town and neighbourhood.

In Lago/Meluluca, a number of changes have taken place since last year – to a large extent a result of initiatives of the proactive new head of the Administrative Post. He also actively involves the local Consultative Council in the work being done. This include improvements of roads, new school buildings, a revitalised health centre with a new head nurse, solar panel electricity in public buildings and a few shops, and two new mosques making the total number six. In fisheries, captures have recuperated since the collapse last year and more people have bought fishing boats, and the agricultural season has been relatively good albeit with people still primarily producing for own consumption. Finally people in

Meluluca emphasise the importance of the new boat Tchambo stopping by twice a week, which makes transport to Malawi easier, and that INAS has – finally – made it to Melulukka with 250 people now receiving support through what seems to be considered a ‘fair selection’ of recipients.

In Majune/Malila, a group of men and a group of women largely identified similar changes but valued them differently. Men highlighted the very good harvest, particularly of rice and sesame. Women argued that it has been a bad year for agriculture, basing their assessment on production of food crops and foreseeing long months of hunger. Another important change was the absence of elephants and other large animals that usually destroy crops. Many have been killed or chased away by government. However, women complained about an exceptionally high number of rats in the fields that they did not know how to deal with. Both men and women recognised improvements

Illustration 8: Reminders to Entrepreneurs, Lichinga



Photo by: Minna Tuominen

¹² The spelling of this phrase varies between the local languages used in the three areas of studies, but are all based on the same idiom.

of roads and construction of small bridges (*pontecas*) as important, and said this had led to an increase in traffic through Majune. Also, there is now a market/*feira* organised twice every month in the district capital, which facilitates the marketing of agricultural products. The most positive change identified by the group of women was the extended telephone network that now covers the entire community of Malila. “Now we can talk to people far away, in Maputo, in Portugal” one woman said.

3.2 Community-Based Entrepreneurship

The large majority of people in our focus communities in Cuamba, Lago and Majune who are involved in economic exchanges commercialise natural resources in the form of agricultural products, firewood, bamboo, grass, mud for building blocks etc., which do not require initial investments in physical capital and with risks being related to poor returns to own labour. For poor people the difference between earning five or 10 Mt after a day’s work may of course be very important, but in the local vernacular being an ‘economic agent’ or *azieni gueni* involves something more even though the investment to be made may be small. To start a business or *gueni*, people argue, requires initiative and ambition. “It is not everybody who has such initiative”, they say.

In connection with group discussions about entrepreneurship in Lago/Meluluca, people defined three types of entrepreneurs in the local community – small, medium and large. In the local Nyanja vernacular, these are called *Gueni Zingonozingono*, *Gueni Yapakati* and *Gueni Zazikuluzikulo* respectively. The definitions are made on the basis of a combination of size related to investments and goods; number of people employed; social capital/relations; and the sex of the entrepreneur. In the outset, people have a positive attitude towards members of the community who are successful in establishing businesses and being entrepreneurs. In fact, in the wealth ranking exercise done in Lago in 2011 (ORGUT 2011b), one of the main criteria for being defined to belong to the best-off category (*opata* and *olemela*, see below) was to have a large income *and* to be in a position to give employment to others. People also emphasise that entrepreneurs are important because they ‘bring development’ and access to goods and services in the local community. However, it is equally clear that investing in enterprises and ‘bettering oneself’ in relation to others in the community come with a lot of challenges and dangers (see below).

Investing in a business, no matter how small, requires access to money to make the first venture. Figures from the Reality Check Baseline Survey of 2011 show that the majority of households earn nothing or very little from non-agricultural economic activities, and hence do not have the capital needed (Table 7). Case studies of entrepreneurs in the three communities show that most people start very small with money earned from the few local activities involving economic exchanges and options for surpluses, such as fisheries in Lago and production of tobacco in Majune and cotton in Cuamba. Many entrepreneurs also emphasise how they get support from their own family (often maternal uncles or brothers in matrilineal societies) to make the first investments. Among the three project sites, Cuamba stands out as having entrepreneurs basing their activities on income from formal employment or pensions, which is very rare in Malila and in Meluluca where such persons hardly exist.

Table 7: Monthly Cash Income from Non-Agricultural Activities per Household

Income	Cuamba	Lago	Majune
No income	31.7	28.3	30.0
Income	68.3	71.7	70.0
< 250	7.5	8.3	7.5
251-500	6.7	7.5	10.0
501-1000	5.0	7.5	3.3
751-1000	8.3	10.8	10.8
1001-1500	5.0	5.0	8.3
1501-2500	8.3	9.2	8.3
2501-5000	19.2	8.3	18.3
>5.000	8.3	15.0	3.3
Total	100	100	100

Source: *The Reality Check Baseline Survey 2011*

Small Scale: In the local communities, the most common form of investment is in small shops or *barracas*. The main reason is that such investments give quick returns. To start a shop people need to invest in a physical structure, ranging from small reed huts to larger buildings in *blocos*, and they need to invest in the first stock of commodities to sell. These shops primarily sell goods from outside the local community, very often from Malawi or Tanzania that people argue have better, more popular and cheaper things than what is available from Mozambique. Most shop owners start out selling basic commodities such as cooking oil, sugar, salt and soap in very small quantities, and then grow into other products if or when they make enough money.

A second common type of community-based investment is in flour mills (*moageiras*), which has a ready market in contexts where practically everybody is involved in agriculture. This requires relatively large investments of around 45,000 Mt (or 35,000 Mt if bought in Tanzania), which very few people have access to. However, this has been one of the most common projects that people seek funding for through the District Development Fund. There are cases where *moageiras* function well and give a surplus, but they also demonstrate central problems of being entrepreneurs in small communities with limited purchasing power. In Lago/Meluluca, the number of *moageiras* has increased from 2 to 12 during a period of three years and most owners currently struggle with too few customers and high costs for repairs.

A third type of small-scale entrepreneurs in the communities is in artisanal production. People still use simple locally made tools in agriculture and fisheries, and artisans in the three communities also produce things like doors, window frames and pottery that require initial investments in tools or other equipment. Despite the necessary investments being small, artisans seem to be relatively few and far between in the three communities. One reason is competition from factory made tools and utensils, but artisans also complain that people are unwilling to pay for locally produced commodities that seem to be valued differently than goods from the outside. Many artisans therefore end up bartering their products with fish, grain or other local products, arguing that this gives “more value” (“*mais valor*”).

There is finally a restricted local market for services, such as guesthouses, barbers, hairdressers and traditional medicine (*curandeiros*), not necessarily because people cannot pay but because such services have traditionally not been objects of monetary exchanges. People visiting *bairros* or villages tend to use their extended family network and stay overnight without paying and having their hair cut or braided has always been a private affair. The main exception is tailoring, involving relatively limited initial investments and with a market for repairing pants and shirts etc. and for ‘new’ clothing made from (sometimes second hand) cheap fabrics.

Common for the types of locally based small-scale entrepreneurs discussed so far is that the businesses usually are run by the owner and close family members. Locally based small-scale businesses with inherent options for growth and for creating employment primarily include fisheries and brick production. Investing in a boat, nets and a motor is the potentially most lucrative business endeavour, particularly in Lago. While the *patrão* usually is the sole owner, he needs to employ 8-10 people per boat in order to have a viable production unit. In brick-making the building of ovens, collection of firewood and burning and selling bricks require a relatively large number of workers – depending on the size of the enterprise.

Among those who establish small-scale businesses in the local communities, very few manage to expand their businesses. Definitions of an entrepreneur in the literature (see Chapter 1.4) tend to emphasise the inclination to ‘grow for the sake of growth’ akin to the notion of ‘economic man’. Growth as part of a broader household coping strategy is seen to limit the entrepreneurial spirit and options for further growth and accumulation of capital. However, in settings like Niassa this is a

Illustration 9: Boat Transport, Lago



Photo by: Margarida Paulo

distinction that is difficult to make. Becoming rich and influential comes with both advantages and dangers, but one immediate implication is to be in a position to enlarge one's household, which gives a type of power and influence that money in such settings does not necessarily give. In all three communities there is a close relation between economic power and size of family, primarily in the form of better-off entrepreneurs marrying more wives and having more children.

Case: This tailor is 31 years old, and has two wives and five children. He moved from a village in the deep interior to the main road in Meluluca in 2013, and lives next door to his parents and other extended family. He has only fifth grade, but took a sewing course in Lichinga in 1995. In 2001 he managed to buy a sewing machine (for 2500 Mt), with the help of his father who was very pleased that his son had taken further education on his own initiative. Tailoring is good, the interviewee claims, because it gives quick money. In the beginning it was very difficult because people in the interior were not used to pay for things and often refused to pay the sum agreed upon. Now it is much better, and many people come to him from neighbouring villages where there already are other tailors because of the good quality of the things he makes ("*qualidade é tudo*"). The payment varies from 5 Mt to stitch up a *capulana* (that takes 'two minutes'), to 75 Mt for making a shirt when people come with fabrics themselves. He usually makes 2.500 Mt to 3.000 Mt per month, but at the times of ceremonies he can make over 5.000 Mt from the clothes that the youngsters use (hats, shirts, trousers). In addition to his business he has four machambas, two for each of his wives ("*Eu sou supervisor*"). The tailor has no contact with government in relation to his business whatsoever.

Medium/Large Scale: The larger entrepreneurs from the three communities have either grown slowly over a long period of time, or have grown with the help of support from the District Development Fund. People in the first category argue that they prefer to use their own money in order not to be in debt to anybody, and that it is necessary to grow slowly in order to reduce risks. People from the second category have usually already established a small business when they apply to FDD, and realise that they do not risk much as not succeeding or not paying back have few if any repercussions. There are very few successful cases among beneficiaries of the 7 million Mt scheme who started from scratch without access to own capital, business experience and good connections.

The larger and 'successful' local entrepreneurs we have met seem to share a set of characteristics: One is that they tend to invest in different types of economic activities, rather than grow in the one they have started. The most typical career is to go from a locally based small shop, to trade in agricultural products or fish, and to buy trucks for transportation of own goods and that of others. As already noted there are also other career patterns based on local circumstances, such as making primary investments in fishing and transportation on the Lake in Lago and investing in tobacco and cotton in Majune and Cuamba. For these people, diversification makes more sense than trying to develop an economy of scale, which in their view comes with too many risks.

A second characteristic is to move one's economic activities out of their local community. One obvious reason is the limited purchasing power and subsequent limits to growth in small communities, but entrepreneurs also argue that it is complicated to grow in settings where one knows practically everybody. There is a lot of envy (*inveja*), and it is very difficult to resist pressure from family, neighbours and friends for giving products for free or as outstanding claims. In all three sites we have worked, the largest entrepreneurs have either moved to the closest town (Cuamba, Lichinga or Metangula) or shift between staying in the local community and the area where the main business is located. Often, one of the wives or another close relative will be responsible for the business when the entrepreneur himself is not there.

A third characteristic is concentration on one's own activities, without cooperating with others. For some of the most common economic activities such as shops, flour mills and transportation, competition is fierce and many do not make it. People argue that they emphasise quality and price when they decide where to purchase, but in close-knit communities, like the ones in question, family and social networks also play a role. Discussing the option of cooperating with the shop owner next door or the mill-owner in the neighbouring village, people say that it is impossible. The main arguments are that things will be difficult to control, and that it is difficult to trust other people with money even if one knows them well. The few cases where non-relatives do cooperate tend to be where people who have moved out and work in the public sector use people in the community

to take care of the shops or other businesses - knowing well that the latter totally depend on the former.

Being among the few successful people in a local community marked by poverty and vulnerability comes with a lot of challenges. On the one hand, people with money have power and influence in the community. People tend to talk about them with respect, and they readily tell us who the richest people in the village are. Entrepreneurs (particularly if they combine this with Frelimo membership) also tend to occupy positions in, for example, the Consultative Councils, where important decisions for the community and its individual members are made. On the other hand, they are also susceptible to a lot of pressure for sharing and may be subject of serious repercussions in cases where they are not seen as fulfilling expectations. These may be pecuniary in the form of boycotts of enterprises, or 'foot-dragging' in offering labour. In contexts where beliefs in the power of the supernatural and ancestral spirits are strong, being accused of witchcraft and sorcery is considered more serious. This may lead to the collapse of a business, and there are examples of people who have had to leave their community for this reason and never came back.

In all three communities, the entrepreneurs who are most successful have managed to balance local expectations and locally based economic activities with further developing their business in external areas where the market and options for expansion are better. They continue to live in and maintain good relations with the community, acting and behaving like other people. In particular, it is considered important that they take part in religious or traditional ceremonies and events and make contributions in accordance with their position.

Case: In order to maintain and boost his income generating activities, an entrepreneur in Majune resorts to a combination of strategies. He is always looking for new business opportunities and new ideas, seeking new products and services that have a potential demand. Over the last years he has introduced new trade items in his shop, such as small farming tools. He has expanded into more business areas (e.g. distribution of school books across the province) and he bought a new truck which will be used for transportation of cement, because he foresees that in Majune the demand for cement will dramatically increase as housing construction will speed up through the access to electricity. According to the entrepreneur, the secret of a successful business is first "to have a good heart with the population and being patient with them"; and second, "follow and respect governmental laws". He also claims that the key to success is differentiation of business activities and the art of saving. According to him, one must always divide one's earnings: one part goes for savings and another for consumption. In addition he stressed: "I never eat more than what I receive".

People in the communities realise that their situation would be better if there were more people who could invest and more economic activities. This would bring better access to goods and services, and potentially also employment. Asking focus groups in a Force-field Analysis (ORGUT 2011d) what type of enterprises or businesses they would prefer to have and how to attract them in Lago/Meluluca, they responded that they would prioritise pensions ("so that more people will come"); large-scale traders ("So that we can have more things [accessible in the village]", and mining companies ("so that we can use the mountains and have employment"). At the same time, they saw lack of external support as the main impediment for realising the plans while insisting that they do have something to offer in terms of people willing to work, mineral resources and a tranquil and safe environment (Table 8).

Illustration 10: Pension, Majune



Photo by: Minna Tuominen

Table 8: Force-field Analysis: Preferred Economic Activities in Lago/Meluluca

Preferred businesses	Forces against	Forces in favour
<ul style="list-style-type: none"> - Pensions - Large-scale traders - Mining companies 	<ul style="list-style-type: none"> - No local capital - No support from Government - No foreigners to help 	<ul style="list-style-type: none"> - People want to work - Minerals in mountains - No crime

3.3 Gender in Entrepreneurship

As discussed in former Reality Checks, there are strict gender divisions in Cuamba, Lago and Majune and men and women have different roles in the community as well as in households – based on a combination of unequal economic power, tradition and religion. Men are expected to head and guarantee the economic security of the household, while women are responsible for the upbringing of children, household chores and food production. With the increasing number of female headed household (averaging 35 percent in the three project sites) gender roles have been challenged, but not thereby making it less difficult to be a single female head of household.

Gender roles among economic agents or *gueni* seem to be less clear-cut. They apparently differ somewhat between the three communities, and there also seems to be variations in the extent to which women control the money they earn. In Majune, women are found in most types of entrepreneurial activities even though the large majority are pursuing very small-scale businesses selling agricultural products, firewood, cakes and bread. There are also examples of women who are involved in larger scale businesses such as *barracas*, mills and guesthouses. This way, the main obstacles seem to be lack of funds rather than cultural barriers per se.¹³

In Cuamba, being a city, the socio-cultural barriers to what types of economic activities men and women can do are even less pronounced – or more difficult to control for men. There generational differences are also evident, in that young men and women are less constrained by traditional gender role expectations in terms of economic activity than the older generation. Still it is more common that women carry out their economic activities close to home rather than in commercial areas/markets, in order to be able to fulfil their domestic responsibilities. In a focus group discussion with secondary school students who attended entrepreneurship classes, young men wanted to open their own businesses while young women preferred formal employment with fixed-rate wages and opening small businesses only to supplement their income.

In Lago/Meluluca, socio-cultural rules and expectations concerning what type of economic activities men and women can do are more stringent. This probably reflects a community which has been more isolated and where tradition and religion still have a strong hold on people. Discussing the types of economic activities and businesses men and women can do with a focus group of young boys and girls in Lago/Meluluca, there was broad agreement that most types of entrepreneurial activities are for men and that women cannot own and run larger enterprises (see Table 9).

¹³ The only type of economic activities where women in Majune are not involved is in crafts such as carpentry and brickmaking, construction and transportation.

Table 9: Local Perceptions of Types of Economic Activities/ Entrepreneurs in Lago by Sex

Enterprise	Men	Women
Small (<i>Gueni Zingonozingono</i>)	<ul style="list-style-type: none"> - Agricultural produce - Fishermen - Small-scale traders - Carpenters - Plumbers - Bamboos for houses 	<ul style="list-style-type: none"> - Agricultural produce - Rice production - Grass production - Firewood - Kitchen utensils (traditional)
Medium (<i>Gueni Yapakati</i>)	<ul style="list-style-type: none"> - Fish trade (external) - Building block production - Wood-sales - Flour-mills - Tailors - Shops (local) - Transporters (road) - Transporters (Lake) - Rest house/pension 	<ul style="list-style-type: none"> - Fish trade (local) - Hairdresser - Rest house/pension
Large (<i>Gueni Zazikuluzikulo</i>)	<ul style="list-style-type: none"> - Fishermen (<i>patrões</i>) - Traders (external) 	

With reference to discussions in the group as well as individual interviews, the reasons for this not only relate to socio-cultural expectations regarding 'appropriate' economic activities but also that women are not supposed to earn and control money. While men do not have to account for what they earn to their spouse or spouses, women state that they always have to do this. Earning money on their own may create problems in the household, as men will argue that the wife must have made the money by being in intimate relations with other men. The few women in Meluluca who pursue their own entrepreneurial activities tend to be married to polygamous men, who see the value of their wives having their own sources of income.

3.4 Most Important Challenges

As noted in the introductory section to this chapter, there are many changes taking place in the three communities under study. They may be small and may not even show up in national statistics, but important for marginal and poor communities like the ones in question. The past year has seen extensions in the mobile phone network; improved road connections and construction or repairs of bridges; improvements in access to education and health; and extension of electricity coverage through grids or solar panels – to mention but a few.

General: Still, many challenges remain as reflected in the relevant Focus Group discussions. Of potential government interventions, access to potable water has been highlighted as a main challenge in the local communities every year. Water of poor quality from local wells, rivers and the Lake has considerable health implications. The quality of health services remains a problem and people are frequently sick, which has negative implications not only for the quality of life but also for economic activities and household income. And despite there being improved access to education (schools, teachers), the attitude towards the value of education and the low attendance rate particularly among girls continue to be a problem. Other challenges are more specific to each site. Crime and transactional sex are increasing problems in Cuamba, the latter evidenced by enhanced HIV/AIDS incidence rates. In Lago, the combination of rudimentary fishing technologies and fish resources, which seem to move further out and towards the bottom of the Lake, negatively affects catches and hence the total local economy. In Majune, the absence of employment opportunities outside agriculture was highlighted and used to explain the low motivation to send children to school.

Entrepreneurship: At the community level the challenges include restricted access to credit for small-scale entrepreneurs, high transportation costs for goods, finding clients with sufficient money to spend, and the limited variation in alternative types of businesses. Many goods and services are simply not available, and many people cannot afford to travel to larger urban areas. Illicit practises seem to be less of a problem in the local communities than in the larger centres due to social control mechanisms. Furthermore, it is difficult to introduce new types of enterprises that people

Illustration 11: Looking cool....



Photo by: Inge Tvedten

are not used to or start charging for services that people have been used to get for free from family or traditional providers – such as lodging, midwives and curandeiros. And finally, envy or inveja is more accentuated in closer-knit communities where everybody knows each other and the socio-cultural pressure for behaving according to traditional norms and expectations is more pronounced. “There is always some animosity between those who are better off and those who are not [...]”. But usually the relationship is good” as one man in Majune expressed it.

As so often with apparently ‘irrational’ beliefs in this type of setting, however, they tend to have a perfectly ‘rational’ basis (see e.g. Platteau 2009: 679). There is a fear that assertion of wealthy individuals will introduce a competitive spirit that will sooner or later undermine communal cohesiveness. In particular, there is the belief that, if left free to choose, individuals with a high realized income will be tempted to evade their solidarity obligations and opt out of mutual insurance networks.

4. SOCIAL RELATIONS OF POVERTY

4.1 Social Relations of Exchange

Having focused on economic agents or entrepreneurs in the previous chapter, it should be emphasised that the large majority of people in the three communities are nowhere near starting a business and becoming an entrepreneur in accordance with our definition of someone who “manages, organizes and assumes the risk of a business or enterprise through investments in physical capital”. People are too poor; they are too busy to sustain a living through agriculture, fisheries and petty trading; they cannot afford to take the risks involved; and they often do not know how to go about making such investments.

Case: An example of this is a lady with a handicapped son, who was one of the first beneficiaries when contributions from INAS finally made it to Meluluca this year. Having had a situation where she simply did not know how to get food and other necessities from one day to another, she has received a sum of 250 Mt per month since April 2014. She has never had that kind of money before and simply does not seem to know how to relate to it. She was not able to tell us how much she had spent on the items she had bought (including a few chickens), and could not tell us how much she had left except in terms of the number of bills. While her investment in chickens was explained by her wish to ‘expand’, she did not have a plan for how to do this.

At the same time, it is striking how the smallest changes in income may have significant implications for the people concerned. Common definitions of poverty, such as ‘income/consumption of 1.25 US Dollars per household member per day’, is way above what most people in the communities make and consume. Even the smallest investments, for example in simple tools to produce artefacts, scissors to cut hair or a few chickens yielding very limited returns may have considerable impact on a household’s well-being – and represent risks for those involved that are comparable to those risks faced by larger entrepreneurs.

As experienced by some of the poorest households, ‘*negócios*’ at this level often takes the form of bartering rather than exchange of money. The poor have limited amounts of cash, and locally produced goods and utensils seem to be subject to a *combination* of “market and community realms of the economy” (Gudeman 2008). A window frame may be exchanged for fish, or a haircut may be exchanged for a small stack (*pedaço*) of cassava. Artisans requesting money, often find that the price people are willing to pay is very low and they frequently end up with long-standing outstanding claims. Many know that there is a more ready market in Metangula and Lichinga, for example, but do not have the money to spend on transport and stay at these market-points.

Also, people are conservative and tend to use implements that they have ‘always’ used, which inhibits innovation and expansion. The most obvious example in Meluluca is the continued use of wooden dugout canoes with a single wooden ore that not only is unstable and dangerous, but also heavy to paddle and time-consuming. Also, ovens for making buns or bread are very rudimentary and easily break down, as are mechanisms to transport water from rivers and lakes to vegetable gardens. For many types of utensils and investments at this level, there are alternative improved technologies in use in other countries in the region that do not seem to have made their way to Mozambique and/or Niassa.

And finally, among the poorest, women are less likely to engage in alternative small-scale economic activities than men. This is partly because traditional gender roles do not allow for this type of activity, and as a result women usually do not have access to, or control over, the cash necessary to make even the smallest investments. Those who do make efforts are usually single women or unmarried mothers (who tend to be among the poorest and are simply forced to make an effort), or women in polygamous relationships where the husband encourages his wives to secure their own sources of income (to ease the burden of upkeep for themselves).

4.2 Family and Household Dynamics

In this series of Reality Checks, we monitor continuation and change in poverty and well-being at the level of households by following a limited number of Focus Households from year to year. We showed in the 1st Reality Check that people in the three study sites have clear perceptions about there being different levels of poverty (*wakulaga, olemela, ohawa*) and well-being (*wakupata, umphawi, okhalano*), and what that entails for people’s options for social mobility (ORGUT 2011e). To systematically pursue issues of poverty, wealth and social mobility, we have selected a total of 21 households from the different categories of poor and better-off that are visited every year to ascertain possible change.

The situation of the selected households in terms of composition, economic adaptations and perceived challenges was presented in the 1st Reality Checks (ORGUT 2011e). In the 2012 Reality Check (ORGUT 2012d), particular attention was given to the perceptions and experiences of the households with public institutions and governance. In 2013 special emphasis was given to perceptions of and experiences with agriculture and employment. And this year economic agency/entrepreneurship is given attention when relevant. Below we will give a brief summary of the situation of each household in 2011, 2012 and 2013, and focus on changes between 2013 and 2014. Together, this gives a unique insight into the types of small incidents and changes that determine the fate of a household in places like Cuamba, Lago and Majune (see sub-reports for more details).

Illustration 12: Small-Scale Baker, Majune



Photo by: Yara Berti

Cuamba

Table 10a: Levels and Characteristics of Poverty and Well-Being in Cuamba (Macua)

The Poor	
<i>Ohawa vanchipali</i>	The very poor. Those who do not know how or where they are going to get their next meal.
<i>Ohawa ovelavela</i>	The relatively poor. Those who have no initiative to take themselves out of poverty.
<i>Ohawa vakanene</i>	The transitional poor. Those who have least two meals a day.
The Better-Off	
<i>Opunha</i>	The ‘wanna be’ rich. Those who enjoy life without being necessarily rich.
<i>Okhalano</i>	The truly rich. Those who have it all.

Family 1 (Ohawa vanchipali). This is a man who is living in his ex-wife’s yard thanks to their daughter taking pity on him. He is elderly, has problems with his eyesight, is weak and unable to produce his own food. None of his other children, who live in Nampula, will take him in. He lives on what his ex-wife produces in the fields and cooks for him. She is also elderly, but unable to produce in excess. In 2013 tensions had escalated between the man and his ex-wife following the death of their daughter, and she asked him to leave. The man regained his eyesight after an operation by a movable medical team, but still depended on help. The ex-wife has continued to cook for him, but refuses to fetch water. In 2013/2014, the poor man had moved out and managed to get space in the house of a man frequenting the same mosque. He still has no income and is unable to produce his own food. He therefore totally depends on what he gets from neighbours. His situation would improve if he was able to buy subscription glasses, but he does not have that kind of money. Still he is pleased, as he is surrounded by people who wish him well.

Family 2 (Ohawa vanchipali). In this family the old head of the household lives with three of her grandchildren. The children were sent by their mothers, who live close by, to help with the domestic chores. The daughters of the household head are farmers and sell their produce in the market. The household head has problem with her eyesight and is unable to cultivate her own

food. She gave her land to one of the daughters to farm. The household is completely dependent on relatives' support. In 2013 the head of the household had moved to stay in her son's house in Lichinga, to operate her eyes. While she was away, one of her unmarried daughters tended for the grandchildren. In 2013/2014, she returned to Cuamba where she lives with another daughter who makes a living by selling vegetables, a business that was started with help from friends. *Ohawa vanchipali* has felt pain in her legs and is unable to walk. Her hope is that her grandchildren will study and get a job, but that will only be possible if they manage money for uniforms and school material.

Family 3 (Ohawa vanchipali). This is an elderly female traditional healer who lives with her daughter. The daughter is a poor farmer. The household head has taught her daughter to become a healer as well, helping out picking herbs and assisting in preparing them. The old lady was approached by the opposition party MDM because of her outspokenness, but as a former Frelimo supporter she would not change party. In 2013 the woman continued to be confident, despite her poverty and the fact that her daughter's boyfriend had left her and gone back to his previous wife. In 2013/2014, Ohawa vanchipali has seen her life improve, and has constructed a new house where she lives and works as a healer. She was also able to work in her machamba, even though production was small. The most negative experience was when her house was broken into, which she attributes to the increasing number of people from other areas coming to Cuamba and the fact that there are no more vigilante groups to keep people safe.

Family 4 (Ohawa ovelavela). This family was initially headed by an old woman who died, with her daughter becoming the new head. She lives with a husband and two small sons, and her oldest daughter. The household head and her daughter are farmers, sell their produce at the market and just make enough to make ends meet. In 2013 the daughter's husband had changed job and the grandmother's absence was noticeable through the increasing restlessness of the young boys as the other women are constantly away trying to provide for the house. In 2013/2014, no major changes had taken place. In the extended family, health problems are on the increase reducing the options for external support. Their income is only sufficient to buy food, and they seem to have given up improving their lives. Also this house was broken into the past year, with the culprits allegedly 'using magic' as no one heard when they came at night.

Family 5 (Ohawa ovelavela). This family is composed of a disabled couple. She has a lame foot and he has lost part of his extremities due to leprosy. They live with a grandson, as their daughter died. Another son makes a living from occasional work, and contributes a little to the parents' home. The couple has a field, where they produce the little they can. They receive support from INAS, and sometimes from neighbours. The man also begs on Fridays. In 2013, relatives had lent the man a bicycle to go to the fields. They also gave a chicken for a festive day – marking an improvement in relations between the family and its neighbours. In 2013/2014, the household seems to be slipping into greater poverty. The support from INAS has been stopped, they do not manage to cultivate and their only source of income is selling wood. Also, a wall in the house and their toilet has collapsed. They have been requested to supply new documents in order to get back on the INAS payment list, but they are afraid they will have to pay to become eligible. The man continues to beg.

Family 6 (Okhalano). This is a rich family. The head of the household has two wives, each living in their own house, with the respective children. He has two stores, one selling basic foodstuff and the other being rented out to Nigerians who sell car parts. The family also sells surplus from their machambas, rents a truck for transport of logs to Lichinga, and owns a mill. They contract seasonal workers to cultivate, plant, weed and harvest. In 2013, the household head had received cattle from the municipality as part of a District Development Plan. He intended to produce tobacco in the future, even though the new tobacco is difficult to grow. In 2013/2014, Okhalano continues to have many plans but find them difficult to implement as he has no access to external funding. He has applied for funds through the 7 million Mt scheme, but with no success, which he attributed to the fact that he is from the city. His truck has broken down and he will only be able to repair it with surpluses from his agricultural activities in the end of the year. Many of his extended family members have become ill. Yet the household is doing well due to the variety of income sources it pursues.

Lago**Table 10b: Levels and Characteristics of Poverty and Well-Being in Lago/Meluluka (Nyanja)**

The Poor	
<i>Osowedwa</i>	People who do not have money, and no clothes. They are not in a position to marry because they do not have the necessary material means and no one wants to marry them. They depend on others.
<i>Chilekwa</i>	Men and women who are lazy (<i>preguiçosos</i>), and who do not contribute anything to the community.
<i>Masikini</i>	Men and women with physical or mental deficiencies.
<i>Okolamba</i>	Older men and women who do not have support from their family because no one is close to help.
The Better-Off	
<i>Odjifunila</i>	People who manage well (<i>desenrascar</i>) in their daily life, and who do not depend on others.
<i>Opata</i>	People who are in a position to give informal employment (<i>biscatos</i>) to other people in agriculture, fisheries and construction.
<i>Olemela</i>	People who have a car, who have companies in Metangula, who pay fixed [monthly] salaries to their employees, who have a bank-account and who sell products coming from Malawi and Tanzania.

Family 1 (Osowedwa I). In 2011 the household lived in a small house with only one room. The couple had six children from 2 months to 16 years of age, and two *machambas* that barely produced enough for consumption. In addition, the husband made and repaired agricultural tools and doors. He claimed his family had always been poor. The one person they relied on in times of crisis was the wife's uncle, who lived close by. The household has continued to work hard, even though the prices for his artisanal products have remained very low. They managed to put the oldest son into 8th grade in Meluluka, but had to give up after a few months as the costs became too high. In 2013/2014, the household has continued to work hard despite many odds against it. The household head was sick with malaria, but the family has still managed to produce maize and cassava and the head has continued with a range of artisanal products (agricultural tools, chicken-houses, reed doors and mats, etc.) albeit still with prices making it nearly impossible to save. The oldest son has given up his education, works as a farmer/fisher and wants to marry.

Family 2 (Osowedwa II). In 2011 the household consisted of a single mother, one of her two children and the child of an older sister. The house had four rooms and a fenced backyard. However, it belonged to a younger brother, and Osowedwa's real dwelling was a small two-room shack in the yard. She had never gone to school, and her children stopped studying in 3rd Grade 'as there was no money'. She had a small *machamba*, but survived by selling small *bolinhos*, raising chickens and ducks, and renting out the small shed. Later Osowedwa had to move out of her brother's house when he returned, and back into the small house in the garden. She also stopped selling cakes/*bolinhos* because the price of wheat went up, and the chickens she used to sell died. In 2013-2014, Osowedwa II has been very ill. Due to her health, she has been unable to work on her small *machamba*. Also, she was not able to rent out the shed to fishermen as fishing has been so poor the past year and only recently recovered. Living with a daughter and a niece who are both 12 years, she totally depends on support from her brother and neighbours.

Family 3 (Chilekwa). In 2011 the household lived in Lussefa, and consisted of an old widow as the household head; her daughter with three children; and her granddaughter of approximately 15 years who had a child of 3 months and a husband who was 'out travelling'. The three women lived separately in small dwellings, but claimed they belonged to the same household as they 'ate from the same pot'. They had a *machamba*, but did not produce anything ('we don't have husbands who can help us'), and barely made a living from *ganho-ganho* – working in fields or helping out with small chores for neighbours against pay in cash or kind. Even though the household is very poor, they still did not get support from the community that seems to regard them as 'outcasts' consisting only of women. In 2013/2014, the household has grown with one more baby implying six people to feed. A small house and toilet constructed last year has fallen down. Their only diet is cassava porridge and green leaves – sometimes with fish they manage to get as hand-outs on the beach.

Their main worry is that they do not have money to construct a fence around their yard – meaning that people constantly pass through on the way to the beach and see the state they are in.

Family 4 (Masikini). In 2011, ‘Masikini’ lived alone with a heavily handicapped boy of around eight years of age. Their one-room dwelling was nearly falling apart. She had a total of five children, with the other four being married and living elsewhere in Meluluca. Her fortunes changed in 2009, when her husband died and she lost her main source of support. Her main source of income became a few chickens and mats (*esteiras*) when she could get hold of the material. Her neighbours, she said, could only afford to give “moral support”. In 2012 her handicapped son was able to walk and move around alone, after treatment by a *curandeiro*. In 2013 her fortunes turned again when her precarious dwelling fell down, and she was offered an alternative house by an older man for which she did not have to pay anything. However, she had to abandon her activities of making reed mats because straws were difficult to get hold of, her chickens had died and her three other children had stopped supporting her because they were “not very well married”. In 2013-2014, the big ‘revolution’ has been that she started to receive 250 Mt per month from INAS in June 2014. For that money she has been able to buy salt, soap, sugar, maize and sometimes fish (*caril*), as well as chickens.

Family 5 (Okalamba). In 2011 the household consisted of two elders living in a one-room dwelling, and a small *machamba* was their main source of subsistence and income. They also had the *de facto* responsibility for several grandchildren. Their own four children were all poor and largely in the same situation as their parents. It later turned out that the lady turned out to be the first wife of a polygamous man who hardly stayed with her – making the lady the *de facto* head of the household. None of the children went to school, and a young girl first lost a child and then gave birth to another without being recognised by the father. Poor agricultural seasons have made the household depend on doing *ganho-ganho* for others. In 2013-2014, the health situation of the household head has deteriorated, and consultations with the health clinic as well as *curandeiros* have not helped. For this reason she has not been able to work in her fields. Her grandchildren did piecemeal work carrying building blocks and water for people constructing houses, but the last few months they have not been called upon. She therefore totally depends on help from neighbours, which makes her ashamed.

Family 6 (Odjifunila). In 2011 household head was 46 years old, and had two wives living in separate but adjacent compounds and a total of 15 children. Odjifunila claimed he grew up under poor conditions, moving between Meluluca and Malawi. Returning to Meluluca he worked hard in his *machambas*, and ended up being able to start selling fish (and marrying a second wife). His business received a boost when he received funding from the District Development Fund. His first wife also got involved in commercialisation of fish – again with a loan from the 7 million scheme. Odjifunila sends all his children to school, with the oldest attending university. The household had a drop in fortunes when illness of the second wife compelled the household head to stay with her at the hospital in Malawi, making it difficult to follow up the business. They usually employed three or four people working for them in agriculture and fisheries. An important basis for his success, Odjifunila claimed, is that he carries out several activities at the same time. In 2013-2014, also the household head had health problems but still managed to maintain a fairly high level of production with 22 barrels of maize, 300 kilos of rice, plus sweet potatoes and *mapira*. Both his wives are actively involved in the different economic activities. All his children continue to study in Lichinga or Metangula, and the two oldest boys are already teachers and work in other districts in Lago.

Family 7 (Opata). ‘Opata’ left for Malawi at long and regular intervals during the two wars. Returning in 1995, he started out producing tobacco, which gave sufficient income to start other small businesses. One was to sell dried fish and the other *capulanas* - in both cases using his contacts in Malawi. The business went well, and Opata eventually managed to invest in a *barraca*, larger boats and cattle. In 2011, he had a total of five boats, over 30 heads of cattle, and 15 goats. His economic success had also had social implications: He has expanded his family and has a total of four wives and 20 children between 23 years and one month of age. The household continued to do well – except for the oldest child who had become sick. The head’s businesses had developed ‘little by little’ (*pouco a pouco*): He had increased the number of cattle to a total of 48, selling each cow for between 10.000 and 15.000 Mt. Fisheries was going well, despite a small down-turn that year. And with new funding from the District Development Fund – an indication that

he has actually paid back his last loan – he had opened a new shop (*barraca*) in Metangula. However, the family did not yet buy the vehicle for transportation they had planned to (“not because we cannot afford it, but because we have not had the time”). In 2013-2014, the ‘Opata’ household has had another good year. The number of children has grown to 22, and the head has married a fifth wife. His oldest daughter who has been sick for a couple of years is now well. Although not yet having accomplished his plan of buying a vehicle for transportation of people and goods between Metangula and Lichinga, he claims he has saved enough money and plans to buy directly from Japan via Internet.

Majune

Table 10c: Levels and Characteristics of Poverty and Well-Being in Majune/Malila (Yao)

The poor	
Mazikine	Men and women who are physically disabled. The <i>mazikine</i> live on their own and depend on external assistance to sustain themselves.
Wakulaga n'nope	Men and women who have difficulties to cultivate. These households often consist of one adult only. They depend on external assistance, at least one part of the year. They live in dwellings built with mud bricks and straw. They have no furniture, not even a straw mat.
Wakulaga panandi	Men and women who live on agriculture and are unemployed. They live in dwellings built with mud bricks and straw. They do not have furniture, but normally a locally built bed and perhaps a few chairs. The diet consists mainly of what they cultivate. They may own a bicycle, a bucket and a straw mat.
The better-off	
Wakupatha panandi	Men and women who live in proper housing structures, and who may have a car. They may run a business, or have employment. They may do some farming works, but they do not depend on their harvest. They have kitchen utensils, buckets, telephone and some also a TV. This category includes the teachers, nurses and other civil servants.
Wakupatha	People who run their own business. They have other people working for them, and they do not depend on farming. They have one or more residential buildings, built with cement blocks, proper roofing, and furnished. The <i>wakupathas</i> eat well, drive cars and "have everything".

Family 1 (*Mazikine I*). A divorced man who had polio as a child. He has an adult son who used to study in Muembe, but has recently moved back to Malila. About ten years ago, *Mazikine I* lost his sight – possibly due to cataracts – and his wife left him. Since then, even though he recovered his eyesight through surgery paid for by Catholic nuns, he has not remarried. *Mazikine I* lives alone in a small hut built from adobe bricks and covered with straw. He cultivates a small cornfield and some sugar cane but his physical disability and old age do not allow him to expand the plot or differentiate the crops. He supports himself as a tinsmith repairing the used pots and buckets people bring to him. On hard days, when he has nothing to eat, he asks his neighbours for help. In 2013-2014, a young bricklayer from the neighbourhood built a barn for *Mazikine I* as a form of a payment for a spatula that the old man made for him. *Mazikine's* work as a tinsmith has been irregular as there is lack of material (metal sheet) and the number of fixed clients has decreased. Furthermore, INAS has paid the social security subsidies irregularly. More often he is now resorting to the help of his son and neighbours in terms of food items and financial support

Family 2 (*Wakulaga n'nope I*). This household is headed by a single woman thought to be well over 40 years old who has three children aged 18, 11 and 10.¹⁴ The woman broke her foot in the war and since then has limped painfully. The household has a small *machamba*, which supports the family for part of the year. When there is no produce from the *machamba*, the woman and her oldest daughter work on other people's fields in exchange for food or money which they use for buying soap and salt. She may also ask for bran (*farelo*) from people in the village and gather sweet potato leaves (*n'tollo*) in the bush for her food. Despite several attempts, she has not been registered as INAS beneficiary. In 2013-2014: the sister of the household head, who used to assist

¹⁴ The reported ages may be not the actual ones as it is difficult for some people to refer to a temporal space.

her, passed away earlier this year. Consequently, two adult daughters of the deceased sister moved next to *Wakulaga n'nope I* and now contribute to the household's livelihood. Last year the household received some soap, salt and oil it wanted to use to start up a small-scale business. They sold the products and invested the money in building a new dwelling, but were not able to continue the business. In previous years, the eldest daughter of *Wakulaga n'nope I* dreamt of becoming a nurse but, this year, she has left school due to some health problems.

Family 3 (*Wakulaga n'nope II*). In 2011, the household was headed by an older widow who lived with her disabled adult daughter and four granddaughters. No one was able to cultivate the land; their livelihood depended on what they received from their neighbours. The household composition changed dramatically in 2012 when the old lady died: the disabled daughter and her children moved initially to the house of her sister and brother-in-law in Malila, who were supporting the whole family with what they manage to harvest from their *machamba*. However the household vulnerability increased when the sister and the husband separated, reducing the labour force in the household. The three oldest daughters of the disabled lady were going to school, but had to drop out. In 2013-2014: the family has moved into an abandoned old dwelling, near to the sister of the disabled household head. Every second month, *Wakulaga n'nope II* receives a 500 Mt -subsidy from INAS. In 2013, the oldest daughter of the disabled woman got married and moved to Muenica, where she cultivates land. This year, at the time of our fieldwork, she is back in Malila for a visit and has brought some agriculture products to her mother's household. Despite this form of assistance, *Wakulaga n'nope II* still depends on other neighbours' support. The children of the household are not attending school this year apparently because they do not see any advantage in it.

Family 4 (*Wakulaga n'nope III*). This household comprises an older couple. The husband is almost blind and the wife has various health problems that limit her physical movement. Still, they have a small *machamba*. The husband is from the lowest category of traditional leaders (3rd category); he participates in meetings with other traditional leaders and government. He is entitled to receive a 500 Mt monthly leadership subsidy and occasionally some other incentives from the government. The couple also receives a 250 Mt monthly subsidy from INAS. The couple had two children, but both died some years ago. The couple lives in a small hut made of adobe bricks and a straw roof. The house was built with the help from the Catholic Church. When they run out of money or when INAS is late in paying the subsidy, the couple asks neighbours for help. In 2013-2014, the health condition of the old couple appears to be worsening and they have to use part of the subsidies to pay people to work (*ganho*) on their *machamba*. As a traditional leader, the old man received a bicycle from the district government. In addition, this year we discovered that the couple also receives support from a family member living nearby who is building a new house of mud bricks for them. The fact that they have a healthy family member, who assists them, means that *Wakulaga n'nope III* is less vulnerable than previously thought.¹⁵

Family 5 (*Wakulaga Panandi*). The household comprises a couple and their four children. The husband is about 45 years old and his wife about 30. The oldest child is now seven and the youngest two years old. Their household has three rooms and is on a large, fenced plot of land. The couple is from Malila. When she was younger, the wife lived in an aunt's house in Malawi for five years, where she learned about farming. The husband has never left the village. The household only farms (they have a 3-hectare *machamba*) and raises animals (10 goats, received with the support from the Spanish NGO Mundukide). On their *machamba* they grow the following for consumption: corn, sorghum, beans (cowpea – nhemba – and jugo), cassava, groundnuts, rice and sesame (introduced last year by Mundukide as a cash crop). In addition, the family has a vegetable garden. The couple did not go to school, nor apparently do any of their children. When the maize runs out, the couple will engage in *ganho* in other people's fields. This household was included in the Reality Checks in 2013. In 2013-2014, the family gained 7,000 Mt through the sale of sesame seeds that they cultivated for the first time. With the money the family bought cloths, a bed and a blanket. Despite the positive experience, the family did not cultivate sesame this year because the wife fell sick. At the time of the field work of this year's Reality Check, the whole family

¹⁵ Since their inclusion in the present study, this couple has been caught several times misleading us to think they are worse off than they actually are. It was decided this year that, from now on, the healthy family member should be used as the key informant along with the older couple, in order to double check the provided information.

was away from Malila. The neighbours told us they were working on their vegetable field where they cultivate onions, potatoes, salad and cabbage for sale.

Family 6 (*Wakupatha panandi I*). The household is headed by a 40-year old widower. Some years after the death of his first wife, he remarried. He has 6 children with his first wife – all living in Lichinga in a house provided by him. He also has two small children with the current wife. In 2012, the family made improvements to their house in Malila, which is built from cement blocks and has a solid roof, and they bought a new powerful generator. For many years *Wakupatha panandi I*'s main economic activity was transport business. Between 2012 and 2013 the family also built a *barraca* on their yard to bring additional income. In 2013, the husband also started up as a construction contractor in the district and was awarded a public works contract by the District Government to build a “waiting home” for pregnant women¹⁶ at the health centre in the district capital – Malanga. Last year the household head planned to buy a truck and a new minibus; the former would help with the construction works and the latter to substitute the current car used to transport people between Majune and Lichinga. In 2013-2014: the economic situation of *Wakupatha panandi I* has drastically worsened as he had to close down his main income activity, transportation. His construction company ran into problems because the main client (a public institution) was disappointed by the quality of the materials used. His *barraca* was poorly run by an acquaintance and eventually was closed down. Having no sources of income, *Wakupatha panandi I* lives from their last minor savings, struggling to maintain his family living conditions.

Illustration 13: Cell phone Repair Shop, Cuamba



Photo by: Carmeliza Rosário

Family 7 (*Wakupatha panandi II*). The household consists of a husband, wife and their four children. The husband supports the family by transporting people and goods between Majune and Lichinga. He managed the business for years together with his older brother, who died in 2012. Since then, the household head has been supporting both his own and his brother's family. In 2012, *Wakupatha panandi II* began to buy and resell corn and fuel. Both businesses are mainly managed by the wife. In addition, the wife runs other small businesses from home, such as selling airtime vouchers for mobile phones. The three oldest children go to school in Lichinga, where the brother of the wife takes care of them. Since the birth of the new baby in late 2013, the family has stayed most of the time in Lichinga. In 2013-2014, the household head replaced the old truck with a 15-seat minibus, because “nobody likes open-air travelling anymore”. While staying in Lichinga the wife has not pursued any business activities, but both the husband and the wife have plans to expand their business activities in Majune where they plan to return soon. The husband is currently building a *barraca* in Matucuta (Majune district), at the margin of the Lichinga-Marrupa road, to facilitate the trade of agriculture produce and other basic goods.

Family 8 (*Wakupatha*). The household is headed by a man, well over 55 years old, who has two wives: the first one living in Lichinga and the second one based in Majune. He has a total of 16 children. He manages a variety of businesses, including a small shop, a boarding house and a construction company in Malanga, and a transport business in Lichinga. Both wives take an active part in the husband's businesses. The household has a *machamba* “for a hobby”, as put by the husband, and they have paid labour to work on it. All the children, except the very young ones, go to school; the oldest are at university in Cuamba city. In 2013-2014: The household seems to be better off than ever. The boarding house has hosted more clients than in the previous years and, alike the shop, is now powered by central electricity. The shop has been converted into a small bar with chairs and a couple of tables. In addition, the family has rented out some facilities to one of the commercial agriculture producers. After a year of being banned by the District Government,

¹⁶ The waiting home (*casa de mãe espera*) is where pregnant women who live in communities a long way from health facilities wait until they are ready to give birth.

the construction company was ordered to rehabilitate one government building. He also has bought a new truck for his transportation business to transport cement from Nampula to Majune. He expects to see a boost in masonry construction now that the district has electricity.

4.3 Social Mobility

In this series of Reality Check studies, we have employed a definition of poverty as a multidimensional concept. It involves the lack of employment and income needed to attain basic necessities (alleviated through a combination of increased *opportunities* and an increased *capacity* to capitalise on them); a sense of voicelessness and powerlessness in relation to institutions of society and the state (alleviated through increased *empowerment*); and vulnerability to adverse shocks, linked with the ability to cope with them through social relationships and legal institutions (alleviated through increased *security*).

The perhaps most prominent lesson from the analysis of the poor focus families above is their vulnerability. For people living in extreme poverty, a poor agricultural season, illness of the main breadwinner, small extra expenses for education etc. may change conditions for the household for the worse in a way that may be difficult to reverse. We have seen how elders slip into extreme poverty when their ability to work in the *machamba* is reduced and how minute changes in the price of flour force women to abandon their *bolinho* sales. Although much more rare, due to the existing structural constraints, people may also improve their conditions on the basis of small changes in their situation. We saw how one of the poorest ladies in Cuamba could improve her life when she regained her sight and could go back to her work as a traditional healer, and how the life of the very poorest improves even on the basis of small and irregular contributions from INAS.

At the same time the poorest families tend to have the smallest social networks because they don't have the money to maintain them and fill them with material content – and are hence 'captured' in poverty. One sign of this is the number of poorer families in our sample who do not get support from their adult children – who often find themselves in the same situation as their parents, showing how chronic poverty is generational. Many of the poorest also find themselves without a voice in relation to public and community-based institutions that could be used for social mobility, not necessarily because they are actively marginalised, but because people in such situations tend to withdraw themselves – as we saw with a family in Meluluca whose biggest worry was that without a fence people would see the state they are in. Upward social mobility among the very poorest is therefore very rare in the three communities.

Households in our sample finding themselves in better positions usually do so as they have been born – or more rarely married – into families with sufficient resources. The better-off households tend to have a combination of gainful employment and income, and beneficial relations with institutions of the state and society. They often have a place in the Consultative Council, are among the main beneficiaries of the District Development Fund, and tend to have a wider social network. This is partly based on their position as well-off which caters for wide economic networks, but also on the often ensuing extension of their extended family. As we have seen, there is a clear relation between economic position and the number of wives and children among our focus households. Such a combination of material well-being and social networks represent good options for further social mobility.

Becoming an economic agent or 'entrepreneur' is perhaps the most relevant option for social mobility for people with a minimum level of economic means – in a context where formal employment opportunities hardly exist and where agriculture as the dominant economic activity involves few options for surplus production with the current mode of production. For the small community-based entrepreneurs investing in a small shop or *barraca*, a canoe or fishing boat, a flour mill or in tools for artisanal production investments and surpluses may be small, but no less important for themselves and their families.

It is problematic to identify the main differences between the majority of the economic agents or local entrepreneurs who remain small (and often see their activities fluctuate) and those who grow to become larger entrepreneurs. One obvious factor is gender. We have seen how women are hindered from establishing their own economic enterprises by a combination of socio-cultural rules and expectations and their lack of own income or control of own income. Another factor seems to

be age. In Cuamba, the focus families were unanimous in considering that young people are in a better position to become economic agents because they are healthier, more informed and take more risks in new ventures.

For the (primarily men) who do become successful larger entrepreneurs, one initial condition seems to be some kind of support from their own family or other social relationships. Some, but not all, also have a basic level of education that makes it easier to plan and relate to formalities. People themselves tend to highlight 'hard work', but practically everybody in the communities work hard to make ends meet. Hence, there must be a combination of hard work and a sense of what kind of initiatives that will pay off. This 'sense' seems to depend on exposure to different environments outside the local community, both to get ideas of what is possible and to establish relevant relationships.

Summing up, the two key words/conditions for becoming a successful entrepreneur in Cuamba, Lago and Majune are *social relationships* and *diversification*. Both are largely absent in the economic literature on entrepreneurship, that tend to see the main social and analytical unit as

Illustration 14: Sales Promotion, Majune



Photo by: Minna Tuominen

individual actors with the objective of accumulating capital and grow as economic agents – in response to market forces. This partly reflects deeper epistemological differences between economics and anthropology, but also differences in the understanding of the relevance of structural socio-cultural conditions for explaining individual agency.

A person in the communities is 'nobody' without social relations and networks. For this reason, surpluses are invested in relationships, such as having more wives and more children, rather than in material items of (conspicuous) consumption. For the same reason, it is nearly impossible for successful entrepreneurs not to share parts of the income with the extended family and other members of the community. What the most successful entrepreneurs do is to *combine* continued strong relations with the community *and* expanding their businesses in external contexts where they can be 'economic men'.

The importance of diversification in geographical space and types of businesses is partly related to the precariousness of small-scale businesses in places like Cuamba, Lago and Majune. The setting for doing business is unpredictable and vulnerable with the existing financial context and taxation regime and profitability is usually limited due to high competition in key sectors and low purchasing power. By putting 'all eggs into the same basket', sudden changes in framework conditions may lead to a downfall. By diversifying, the entrepreneur not only reduces such risks but also makes it easier to fulfil social responsibilities by expanding networks.

5. CONCLUSIONS AND RECOMMENDATIONS

5.1 Main Changes in Poverty and Well-Being

- The dominant impression from the local communities in Cuamba, Lago and Majune under study is one of positive socio-economic changes that may not be big, but that are important for the communities and people concerned.
- The changes include better and more proactive representatives of the state at the level of administrative posts (mainly Lago), improvements in terms of basic infrastructure such as electricity and water and construction-related employment (mainly Cuamba), and improved access to markets and products (mainly Majune).
- At the same time there are few tangible changes in people's basic coping strategies that are still primarily based on subsistence agriculture, fishing and small-scale trade with large fluctuations in productivity and revenue.
- In such a context, entrepreneurship is a possible avenue for upward social mobility. The people in the local communities and among our focus families with the most visible signs of socio-economic growth are those who are in a position to expand their economic activities through investments in physical capital. Becoming an entrepreneur rests on a combination of socio-economic background, hard work and luck, and socio-political connections.
- Two groups are largely excluded from such possibilities. One is the very poorest, who lack the resources, the social relationships and often also the knowledge necessary for such improvements to take place. At the same time, even the smallest types of support may dramatically change the situation for people in this group.
- The second is women. Most women are inhibited from controlling their own money and making investments by being among the poorest (female headed households), their inferior position in relation to their husbands, and perceptions rooted in tradition and religion. Partial exceptions are women in rural areas who marry better off men and women in urban areas where the socio-cultural control is less pronounced.

5.2 Challenges for Entrepreneurship

- 'Formal' entrepreneurship in Niassa is limited in scope and mainly based on small-scale commerce or services, with much fewer activities related to primary production and manufacturing.
- This partly reflects close access to Malawi /Tanzania where a strong metical means that many products are cheap(er), and poor road transport to the rest of Mozambique which limits the development of larger scale industry.
- The formal system around licensing of economic activities in commerce and services has been considerably simplified, but the pace and quality of implementation varies between districts and urban/rural areas
- For production and manufacturing businesses there is a range of more complex local taxes, as well as involvement of other government ministries, that create barriers for further expansion of their activities.
- Local government does little in the way of helping or supporting small businesses, and may even be counterproductive through illicit practises. At the same time, local government and public servants are important clients for entrepreneurs and important sources of cash flows in the local economy.
- Lack of banking services for deposits / savings is a generic problem particularly at the levels of districts and administrative posts due to lack of security and reduced local spending. Banking services are better and improving in urban Cuamba.
- At the Municipal/District level, the competence and capacity among public institutions to relate to the formal and simplified licensing and taxation regime is limited and implementation arbitrary.

- There is a limited range of alternative types of entrepreneurship beyond commerce and services in the districts, related to a combination of structural conditions and limited exposure to different types of businesses.
- Most small-scale entrepreneurs develop their business in a slow, cumulative fashion using savings or help of friends/family. The District Development Fund has tended to favour people who already have economic means, partly because they are well connected to the decision-makers.
- Rather than concentrate on and grow in one sector (economies of scale), entrepreneurs tend to diversify their businesses into two to three different areas in order to reduce risks and maximize social benefits.
- There are few examples of cooperation between enterprises, partly due to lack of knowledge about the potential advantages of clustering and partly due to lack of trust in people outside family relations.
- The largest numbers of people who ‘manages, organises and assumes the risk of a business or enterprise through investments in physical capital’ do so in the local communities and at a very small scale.
- The most successful entrepreneurs are those who manage to balance continued relations with their local community and market-based business activities in other areas – investing their surplus in both social relationships (often in the form of a polygamous marriage) and business growth.

5.3 Policy Implications and Development Interventions

Government

- The most important policy/intervention for improving conditions for private sector/ entrepreneurship in Niassa is to focus on the framework conditions of infrastructure (roads, energy, communication) and terms of trade (financial sector, exchange rates).
- Possible interventions more directly geared towards entrepreneurs include enhanced competence and capacity in key public institutions, combined with continued simplification of the licensing/taxation regimes and prevention of illicit practises.
- Emerging initiatives to introduce entrepreneurship as a separate discipline in secondary- and vocational schools and in the form of independent courses by NGOs etc. should be supported and further developed – when possible linked to concrete projects by the apprentices.
- Local government is the largest and often most important client for local entrepreneurs, and government should use its position to strategically support the private sector through transparent and fair tendering processes – favouring local companies when relevant.
- For larger scale entrepreneurs, further developments of banking services (fixed entities, ‘on wheels’ or through mobile phones) and the establishment of an ‘Idea Bank’ (‘Gabinete de Atendimento’) where people with ideas and initiatives can come to get support and identify possible collaborators should be looked into.
- For smaller scale entrepreneurs, access to credit should be improved. This can either be in the form of a reorganisation of the District Development Fund with a stronger focus on people with proven capacities or by supporting non-governmental organisation working with credit. In both cases, allocations should come with close follow-up and training.

Donors

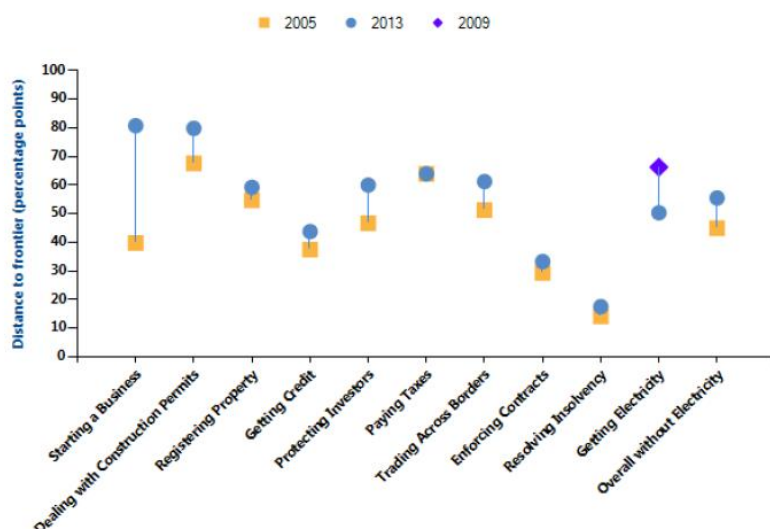
- There is a weak basis for the current emphasis among donors on private sector/ entrepreneurship as a way to contribute to poverty reduction, particularly in rural areas. Rather than focusing on capital accumulation and employment creation, local entrepreneurs tend to spread risks by investing in small entities and social capital.
- The best way for donors to contribute to poverty reduction and gender equality in Niassa through support to private sector/entrepreneurs would be to focus on possible innovations in primary production and ways to ease to workload of women.
- Donors should systematically collect information on improved organisation/technologies related to agriculture, fisheries, artisanal production and domestic utensils (for water provision, cooking, waste management etc.) available in other countries in the region. Support should be

built around the introduction of these, by assisting small-scale businesses/entrepreneurs through a combination of credit and 'idea banks' as mentioned above.

- Women in the communities have a proven record for being better than men at forming associations, clusters and other forms of cooperation. Interventions should take this into account. Women should also be explicitly targeted in credit and other schemes in order to expand the basis for their entrepreneurship.
- The very poorest and most destitute will continue to depend on social protection measures through the state (INAS) and community-based institutions in order to cope. For this group, it is vital that local entrepreneurs continue to balance their business-interests with social responsibilities.

ANNEX 1

Figure 1: Distance to 'Doing Business' frontier across a range of domains, Mozambique



Source: World Bank (2013)

Table 1: Summary of official enterprise classifications in Mozambique

	Initial investment (US\$)	Electrical capacity (KvA)	No. employees
Micro	<25	<10	<25
Small	25-2500	10-500	25-124
Medium	2500-10000	500-1,000	125-250
Large	>10000	>1,000	>250

Note: If a company is of category x according to two criteria and of category y according to the third, it is classified as category x. If a company is of three different categories according to the three criteria, it is classified as being in the middle category. Source: Schou & Cardoso (2014)

Table 2: Steps required to register and license a business in Mozambique

Step	Responsible agency
1 Obtain certification of name uniqueness	Conservatória do Registo das Entidades Legais
2 Open a (provisional) bank account and make a deposit with a commercial bank	Commerical bank
3 Formalize registry with legal entities registrar (and publish statutes in official gazette)	Conservatória do Registo das Entidades Legais
4 Register for taxes and obtain tax number (número único de identificação tributária)	Repartição de Finanças (AT)
5 Apply for a simplified operating license	Balcão de Atendimento Único / District Admnsitration
6 Declare the beginning of activity at the tax department	Repartição de Finanças (AT)
7 Declare the beginning of activity and register job candidates	Provincial employment center
8 Register workers with the social security system	INSS
9 Subscribe a workmen's compensation insurance coverage	-

Source: Compiled from World Bank (2013) and www.clubofmozambique.com/pt/faq2.php?cat_id=33

Table 3: Shares of Mozambican manufacturing firms rating specific issues to be problematic (Balanced panel)

	2006	2012
Competition from illegal imports/contraband	53.5	56.6
Customs and trade regulation administration	38.5	49.1
Access to finance and cost of credit	69.2	48.6
General corruption	50.7	46.6
Access to land	21.4	43.4
Anti-competitive practices (e.g. monopoly)	30.0	41.2
Opening up to international markets (SADC etc.)	13.6	39.7
Transportation	25.3	37.2
Crime, theft and disorder	34.9	36.1
Skills and education of workers	34.9	32.9
Macroeconomic instability (inflation, exch. rate)	63.9	32.9
Tax rates	52.9	32.1
Electricity	44.2	31.4
Tax administration	35.3	24.4
Labor regulations	45.3	22.6

*Note: Factors problematic for the operation and growth of businesses (per cent having responded "major obstacle" or "serious obstacle").
86 observations*

Source: *Rand and Schou (2012)*

Table 4: Estimates of share of households with a non-farm enterprise, by province

	Urban				Rural			
	96/97	02/03	04/05	08/09	96/97	02/03	04/05	08/09
Niassa	7.2	10.8	11.3	13.0	1.2	3.0	2.8	2.3
Cabo Delgado	29.1	18.2	18.5	16.5	3.9	1.5	3.3	2.2
Nampula	12.7	21.8	20.2	18.2	2.2	1.5	1.9	2.1
Zambezia	15.2	15.2	13.2	15.5	1.9	4.5	2.9	2.9
Tete	8.3	20.3	20.6	15.3	1.4	1.1	2.0	0.8
Manica	13.3	20.9	23.1	21.3	2.5	7.5	5.5	4.7
Sofala	13.4	22.1	25.0	20.1	3.3	7.9	5.2	4.0
Inhambane	20.5	30.9	26.6	16.8	3.5	5.5	6.9	5.7
Gaza	10.4	18.6	16.7	12.6	3.7	4.2	3.9	2.6
Maputo	37.9	32.6	33.0	34.2	8.0	13.6	8.3	5.5
Maputo Cidade	32.0	33.2	35.4	34.4				
Total	19.7	23.6	23.7	22.6	2.6	4.0	3.5	2.8

Source: *Own estimates from household survey series*

Table 5: Estimates of potential entrepreneurs, Niassa Province, 2007

	Urban	Rural	Total
Cidade de Lichinga	23.1	.	23.1
Cuamba	25.6	5.1	12.0
Lago	24.1	18.0	18.8
Lichinga	.	8.1	8.1
Majune	.	7.4	7.4
Mandimba	32.2	13.5	15.3
Marrupa	17.7	5.1	6.8
Maua	.	5.7	5.7
Mavago	.	9.4	9.4
Mecanhelas	24.5	11.2	11.6
Mecula	.	10.1	10.1
Metarica	.	4.0	4.0
Muembe	.	4.5	4.5
N'Gauma	.	7.2	7.2
Nipepe	.	5.7	5.7
Sanga	5.2	3.6	3.7
Total	24.0	8.8	11.5

Source: Author's estimates from 2007 census data. Notes: 'potential entrepreneur' is defined as a non-agricultural worker that reports being either self-employed or an employer.

Table 6: Share of potential entrepreneurs undertaking multiple activities

	Urban	Rural	Total
Cidade de Lichinga	.	43.3	43.3
Cuamba	41.1	55.6	45.2
Lago	45.8	70.6	66.5
Lichinga	.	58.9	58.9
Majune	.	56.3	56.3
Mandimba	44.3	52.7	51.0
Marrupa	64.1	77.0	72.4
Maua	.	57.4	57.4
Mavago	.	52.9	52.9
Mecanhelas	48.8	53.2	52.9
Mecula	.	62.0	62.0
Metarica	.	39.1	39.1
Muembe	.	65.6	65.6
N'Gauma	.	54.6	54.6
Nipepe	.	61.0	61.0
Sanga	47.5	65.2	63.8
Total	43.6	58.1	52.8

Source: authors estimates from 2007 census data. Notes: 'potential entrepreneurs' are as defined in Table 3.

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