

Reality Checks in Mozambique

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

Year Four, 2014

Sub-Report, District of Lago



ORGUT

in cooperation with:

CMI CHR. MICHELSEN INSTITUTE **COWI**

The 'Reality Checks in Mozambique' is implemented by ORGUT Consulting in association with COWI-Mozambique and the Chr. Michelsen Institute on behalf of the Embassy of Sweden in Maputo.

The Reality Checks are implemented 2011-2016 and each year field work is carried out in the Municipality of Cuamba, the District of Lago and the District of Majune in the Niassa Province. Each Reality Check focusses on a specific theme.

This is the 4th Sub-Report from the District of Lago, focusing on the private sector/entrepreneurship. An Annual Report is produced each year to summarise the findings and conclusions from the three sub-reports.

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Cover Photo: In the Transport Business, Lago by Inge Tvedten

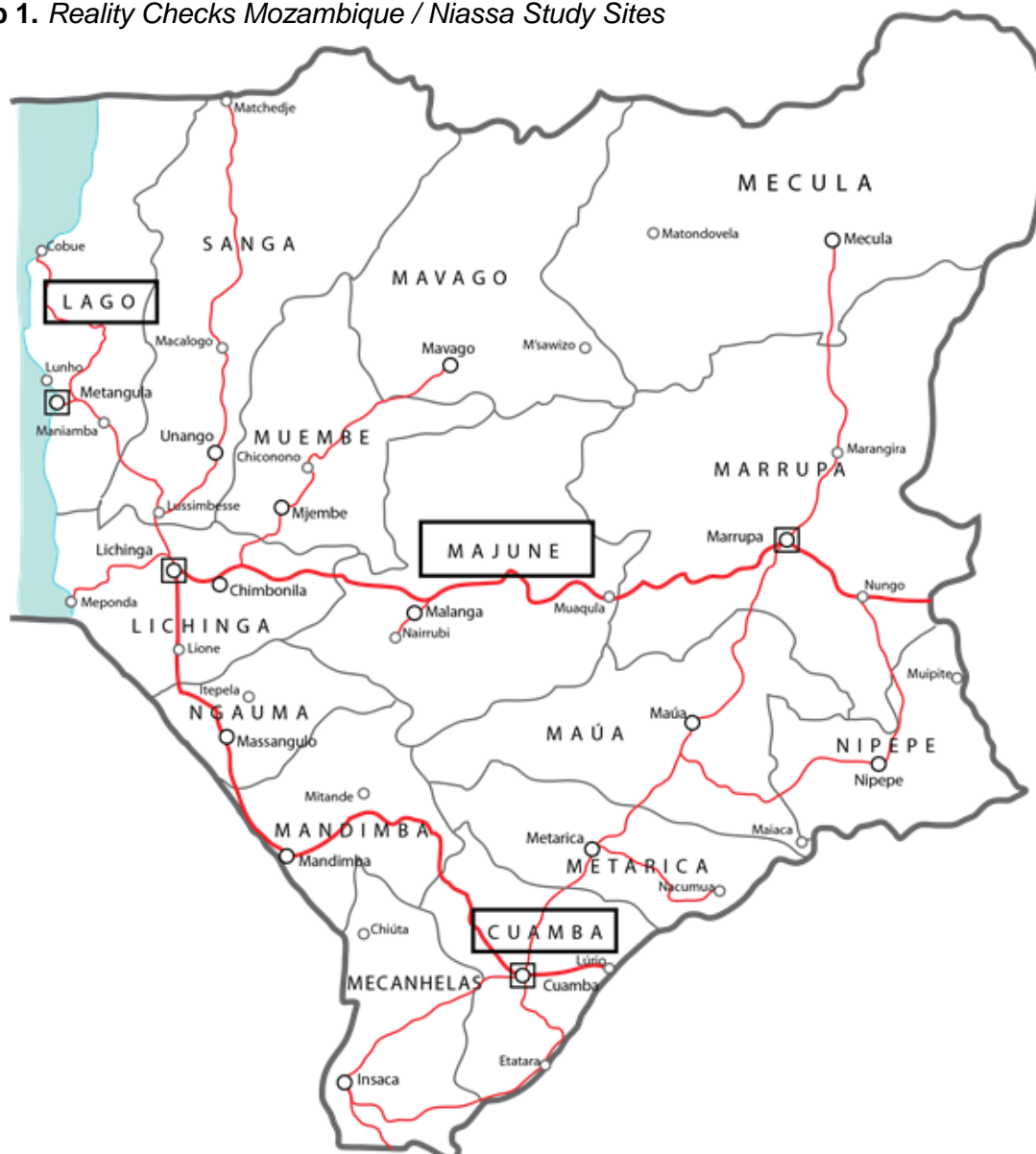
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ABREVIATIONS

AMODER	Mozambican Association for Rural Development
BAU	Balcão de Atendimento Único ('One Stop Shop')
CEPN	Business Association of Niassa Province
DIC	Provincial Directorate for Industry and Commerce
DPIC	Provincial Directorates for Industry and Trade
FDD	District Development Fund
INAS	National Institute for Social Issues
ISPC	Simplified Taxation for Small Contributors
FM	Malonda Foundation
MIC	Ministry of Industry and Trade
Mt	Meticals
PROMER	Programme for the Promotion of Rural Markets
SDAE	District Directorate for Economic Activities
SME	Small and Medium Sized Enterprise

Map 1. Reality Checks Mozambique / Niassa Study Sites



1. INTRODUCTION

Poverty monitoring in Mozambique primarily takes 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 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" 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 and entrepreneurship that are key sectors in Swedish development cooperation with Mozambique. Each Reality Check will be published in the form of one Main 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).

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 Municipality of Cuamba; ii) the District of Lago and iii) the District of Majune (see Map 1).

The 1st Reality Check was carried out in 2011 in the form of three sub-reports (ORGUT 2011 b, c, d) and the first Annual Report (ORGUT 2011e), and represent a baseline upon which the subsequent Reality Checks have been and will be built upon. Much of the background information given in the first set of reports will not be repeated, and being familiar with the base-line studies will therefore ease readings. The second set of reports was produced in 2012 with a thematic focus on governance (ORGUT 2012a-d), and a third was produced in 2013 with agriculture and employment as thematic focus (ORGUT 2013a-d).

This is the sub-report on Lago for the 4th Reality Check, to be complemented by similar sub-reports from Cuamba and Majune. Key lessons from all three reports will be compared and analysed in the 4th Annual Report. In addition to pursuing the overall issue of the dynamics of poverty and well-being in the Districts/Municipality and local communities in question as per ToR, this year's reports will have a thematic focus on private sector/entrepreneurship.

1.2 Methodologies

Methodologically, the studies are based on a combination of existing quantitative information derived from the National Institute of Statistics (INE) and District Authorities; a Questionnaire Survey in the three project sites (in 2011 and 2015); key informant interviews in the provincial capital Lichinga and the selected Districts/Municipality; a set of qualitative/participatory methodologies including immersion with households in different socio-economic situations; and participant observation in the local communities selected for fieldwork. 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, the District Social and Economic Development Plan (PESOD), and the Evaluation of the District Social and Economic Development Plan (Balanço do PESOD).

We secure 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 (120 in each site). The survey is to be done twice with the same families, i.e. in the beginning (2011) and end (2015) of the project period. The Baseline and the follow-up survey will 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. In this report, we give particular attention to data from the Baseline Survey related to the issue of economic activities/income/ entrepreneurship.

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 particularly in the areas of governance, agriculture and entrepreneurship. We also complement the classical anthropological methodology of 'participant observation' with a set of concrete participatory methodologies that we apply in focus groups, and expanded case studies at household level (see 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.

The participatory methodologies used for the 4th Reality Check in Lago include *Most Important Changes* (with the objective of identifying the main political, economic and social changes in the community the past year); and *Force-field Analysis* (identifying the most important existing businesses/entrepreneurs, what types of businesses/entrepreneurs the community would like to see in the future, and the pros and cons of getting there). We also carried out a number of semi-structured interviews with businesses/entrepreneurs in the Lago District capital of Metangula as well as in the Meluluca Administrative Post that is the focus of the Lago studies – in order to capture a wider variety of entrepreneurs than what exist in villages under study.

Focus Households. The wealth ranking exercise done the first year forms 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. The communities in Lago distinguish between 4 levels of poverty or 'poor people' and 3 levels of well-being or 'better-off' people – each with their

own dynamics and position in the communities (ORGUT 2011b). Altogether seven Focus Households have been selected from these categories, and are visited and 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 changes in their socio-economic position. This year, particular emphasis has been given to their involvement with businesses/entrepreneurs.

1.3 Socio-Economic Indicators

To end these brief introductory notes, we will present a set of key economic and social data, an overview of the budget and expenditures and key development policy statements as these appear in official publications from the Lago District Administration and the National Institute of Statistics. Table 1 and Table 2 will be updated every year of the Reality Check, in order to give a sense of overall developments in the District.¹ Table 3 will be updated at the end of the project period, when data from the new National Household Survey will be available.

Table 1: Socio-Economic Indicators – District of Lago

Economic Indicator	2010	2011	2012	2013
Area under cultivation (Ha)	23.828	28.363	33.392	
Agricultural production (1000 kgs)	72.740	76.240	82.870	87.480
Agricultural extensionists	0	0	6	5
Heads domestic animals	9.760	10.500	14.292	n.a
Production of meat (kgs)	1.010	5.067	8.147	n.a
No. of Small Scale Industries	n.a	175	177	103
Forestation (in Ha)	6.050	n.a	n.a.	n.a
Number of tourists	8.000	1.860	2.060	n.a
Fish production (in 1000 kgs)	4.780	7.778	6.974	n.a
Energy (number of clients)	1.156	1.456	2.163	2.300
Energy (clients cut off)	497	160	194	n.a
INAS (Number of beneficiaries)	682	1346	1388	n.a

Sources: GdN/DdL 2010, 2011, 2012, 2013, 2014

Table 2: Budget and Expenditures – District of Lago

Economic Indicator	2010	2011	2012	2013
Self-generated income/IRN (Mt)	20.530	47.370	28.139	26.400
Self-generated/assigned income (Mt)	213.311	550.316	607.623	355.257
Expenditures for goods/ services (Mt)	3.129.060	5.781.380	3.229.900	4.403.845
Infrastructure investments (Mt)	n.a	6.112.000	7.709.260	n.a
No of public employees on payroll	684	782	829	n.a
No of trad. authorities on payroll	227	231	233	n.a
District Dev. Fund (No. of Projects)	117	66	n.a.	100
District Dev. Fund (Total, Mt)	7.666.000	7.848.000	8.897.000	8.517.852
Distr. Dev. Fund (Reimbursed, Mt)	207.860	316.000	678.957	466.884
Distr. Dev. Fund (No. of beneficiaries)	585	330	n.a.	n.a

Sources: GdN/DdL 2010, 2011, 2012, 2013, 2014

¹ The information given for 2010 and 2011 is not totally comparable; some of the data for 2010 have been changed in 2011 publications; and some indicators appearing for 2011 did not appear in 2012.

Table 3: Social Indicators – District of Lago (Percent)

Social Indicators	2007	2015
Population (est. 2012)	83.099	-
Proportion FHHs	35.1	-
Primary School Attendance	65.01	-
Solid Roof Housing	1.18	-
Electricity at Home	4.38	-
Cell-phone	0.97	-
Bicycle Ownership	29.8	-

Source: *INE 2009*

Below, we also quote what the District of Lago itself sees as the main challenges for development and poverty reduction for 2011, 2012, 2013 and 2014 as this appears in the relevant Social and Economic Development Plan (Box 1, 2, 3, 4). As can be seen, the development objectives are largely the same for the years in question, even though there are some changes in emphases from year to year.

Box 1: Development Objectives of the Government of the District of Lago 2011

“The main focus of the Government of the District of Lago for 2011 is [to] give priority to economic growth that will be reflected in the well-being of the population, [and] this development will be key in order to minimize the inequality between the communities. The Government will [also] continue to implement the Public Sector Reform, with emphasis on the well-being of the population and change of attitude and behaviour of the public servants and consequently an improvement of the quality of the services offered to the inhabitants [all] in order to secure a public administration that is transparent, efficient and responsible”.

Box 2: Development Objectives of the Government of the District of Lago 2012

“The main focus of the Government of the District of Lago for 2012 is [to] give priority to economic growth that will be reflected in the well-being of the population, [and] this development will be key in order to minimize the inequality between the communities. The Government will [also] continue to implement the Public Sector Reform, with emphasis on the well-being of the population and change of attitude and behaviour of the public servants and consequently an improve-ment of the quality of the services offered to the inhabitants [all] in order to secure a public administration that is transparent, efficient and responsible through securing enhanced skills and more training; increases in revenue collection, and contribute to the state budget in the District”.

Box 3: Development Objectives of the Government of the District of Lago 2013

“The main focus of the Government of the District of Lago for 2013 is [to] fulfil its promises to carry out the Strategic Plan for the District of Lago, the objectives of which focus on the reduction of poverty in the midst of the District population through the support of the District Development Fund – FDD (7 Million). In addition, the great wager of the Government of the District of Lago for 2013 is to create indicators of economic growth that reflect the well-being of the population and make rural development the main avenue for poverty reduction in the communities. In other words, the Government takes on the responsibility to continue the Public Sector Reform, increase income, contribute to the rational use of the State Budget for the District and improve infrastructure”.

Box 4. Development Objectives of the Government of the District of Lago 2014

“Enhance the quality of life and well-being in the population with 60 percent (sic!), through access to and utilisation of basic social services at all levels; and galvanise institutional mechanisms to promote good governance with the objective of securing socio-economic growth and cultural sustainability in the district.”

2. THE PRIVATE SECTOR / ENTREPRENEURSHIP IN LAGO

2.1 Introduction

Driving from Niassa's provincial capital Lichinga to Lago's district capital Metangula to carry out the 4th Reality Check with 'entrepreneurship' as the central theme (Box 5), the main impression is one of a large number of very similar businesses concentrated along the road. Shops (*barracas*) are dominated by the usual suspects of trousers, shirts, sandals, sugar, salt, soap, flower, rice, oil and biscuits, with a few having extended the repertoire to other commodities. In small marketing stalls (*bancas*), small heaps of locally produced vegetables dominate, with some also selling charcoal, firewood, small rocks etc. We also pass a few tailors, bicycle repair shops and what seems to be a garage (even though most of the vehicles seem 'beyond repair'...). Otherwise the most visible change from last year (ORGUT 2013a) is the amazingly quick expansion and growth of the forest plantations on the 'planalto' part of Lago District, and the large number of political party banners along the road – indicating both the fact that the elections are coming up in October 2014 and an apparently more open attitude to exposition of political opposition. We also see new mobile network antennas, reminding us of the expansion of the Vietnamese company Movitel in rural areas.

Box 5: Definition 'Entrepreneurship'

An entrepreneur is "someone who manages, organizes and assumes the risk of a business or enterprise through investments in physical capital". First, this means that the entrepreneur is a manager that takes business decisions and hence responsibility for the strategy of the enterprise and, ultimately, its interaction with clients, suppliers, and employees. Second, entrepreneurs assume personal financial risk in the enterprise (see ORGUT 2014d for more details).

Arriving Metangula, the town is busy as usual. Its growth is most immediately visible in the large number of houses being constructed up towards the hitherto barren mountain surrounding the town, protected – according to legend – by a large snake (*ndjoca*). Another visible physical change is a new quay for the new boat *Tchambo*, sold by the government to a private investor in Malawi since last year and trafficking the shores between Lago and Malawi (ORGUT 2013a). The most visible new economic establishments are bars and restaurants (and the apparent downfall of the oldest establishment 'Triángulo'), and a couple of shops (*barracas*) that look exactly the same as the others located in the town centre. Approaching the 'Vila' that houses all public institutions and employees, a new stone cobbled road has been constructed leading to the residence of the District Administrator – and a memorial for heroes of the Independence struggle has also been built since last year. The large number of people on the beaches – fetching water, cleaning kitchen utensils and clothes or taking baths – is a reminder of the continued lack of adequate potable water in District capital.

According to the Lago District Administration and its Permanent Secretary, the most important changes since mid-2013 have been:

1. The boat *Tchambo* has been privatised and started to circulate, which has eased travels along the shores of Lake Niassa ("This is not the time for government to be involved in business").
2. A market for fresh fish with an ice making machine has been opened ("Now we have to work on how to capture it [i.e. the fish]")
3. The District has bought a levelling machine and a tractor for maintaining roads, partly because of negative experiences with private construction companies.
4. The District is one of the few in the country that has received three new cars, which greatly eases travels for the District Administration staff.
5. At the hospital, additional wards have been added to better separate people with different kinds of diseases.
6. Cooling rooms have been built at the hospital to better preserve corpses that are to be transported to other places.

Still according to the Permanent Secretary, economically 2013/2014 was a good year with agricultural production of 90.000 tonnes exceeding the target 78,000 tonnes (see Table 3). Another indication of progress is the availability of maize meal in the market that has always been a problem up till now. Also fisheries have shown signs of improvement since the troubled season for the most important sardine specie *uusipa* last year (ORGUT 2013a) – even though the Permanent Secretary maintains that the potential of the Lake is not realised at all due to the rudimentary fishing methods used by the local population.

Turning to the private sector, the Permanent Secretary argues that this is important “as the government cannot supply employment for all”. There *is* a lot of initiative in the District, but most people do not have access to the resources necessary to start their own enterprises. He states that the absence of a bank and other formal lending institutions is a serious problem, and that the 7 million Meticaís (Mt) program (representing the main source of credit in the District) has largely failed for “cultural reasons”. People think and act as if the program is for them and their own family and network (“*financiam o sobrinho*”), and it is very difficult to convince the Administrative Posts to select a more limited number of well qualified entrepreneurs. In fact, they have held back payments to the Cobwe Administrative Post (one of three in the District) this year, as the suggested list of beneficiaries continued to change and bore evidence of nepotism.

Moreover, it is apparently difficult for the local population to understand what is needed to become an entrepreneur. In one case a carpenter was given 200,000 Mt to setup/improve his workshop before the President’s visit in 2013. When visiting this year, there was no activity and the carpenter could not account for his use of money... Asked to mention ‘real entrepreneurs’ in Lago, the District Administrator only mentions three – of whom two are from outside the District. At the same time, he highlights Meluluca (i.e. the focus of our study, see below) as a dynamic place where things happen. “Last year they had 38 fishing boats with motors, and now they have between 45 and 50”.

The Permanent Secretary’s relatively pessimistic attitude towards the private sector is also related to what he argues is a lack of culture for handling credit and loans. Still concerning the 7 million Mt program, the repayment rate continues to be very low. With 8 million Mt in support in 2013, the District has only managed to get back 600,000. This year it looks even worse, with only 180,000 Mt having been paid back by mid-year 2014. One reason for this decline, he claims, is the visit of the MDM party leader, who in speeches in the communities said that repayment was a way for the government to steal back money that rightly belongs to the people....

The limited expectations as regards the potential role of the private sector seem to be confirmed by the *Serviços Distritais de Assuntos Económicos* (SDAE). The Director acknowledges that Industry and Trade (*Indústria e Comércio*) is under his responsibility, but also says that they really have no qualifications for that (*‘somos todos agrónomos’*). Their main role is to license small-scale businesses that are “not *ambulantes* who are the responsibility of the Municipality and not larger businesses that have to relate to Lichinga”. At the same time they are uncertain about what the definition of ‘micro- and small enterprises’ that are their responsibility actually is (“10 persons or less”, “investments up to hundred thousand Mt”, “must be on fixed premises” etc.). The SDAE interviewees argue that the only challenge for the development of the private sector/entrepreneurship is inadequate and poor roads (which is not their responsibility...)².

Illustration 1: Chicken Nursery, Metangula



Photo by: Inge Tvedten

² Having said this, one of SDAE’s employees runs a successful nursery for chickens in the back of the office, apparently contradicting the unenthusiastic attitude towards the private sector...

2.2 Institutional Context and Formalities

At the provincial level, the public institution most directly relevant for the private sector/ entrepreneurship is the Provincial Directorate for Industry and Commerce (DIC). Its main roles are licencing of larger-scale industrial activities, and being an intermediary between the public and private sectors. The latter is mainly done in dialogue with the Business Association of the Niassa Province (*CEPN*), even though this is generally considered to be disparate and relatively weak (see *ORGUT 2014d*).

The One Stop Shop or *Balcão de Atendimento Unico* (BAU) is the 'executive branch' of DIC, and can provide simplified licences for smaller-scale commercial activity and service delivery as long as the applicant has a tax (NUIT) number. It is also in the process of undertaking licencing of larger industrial activities (currently with DIC), and will hence extend its area of responsibility. Currently, different types of enterprises/industries in Niassa are defined in such a way that the overwhelming number of such entities in the province is micro- or small scale industries (Table 4).

Table 4: Official Enterprise Classifications in Mozambique (*)

	Initial Investment USD	Electrical Capacity KVA	No of 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

Source: *Schou and Cardoso 2014* (*) 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.

Other relevant private sector institutions located in the provincial capital with potential relevance also for the District of Lago include the Fundação Malonda. It has a mandate to attract and support large as well as small-scale businesses, and has been instrumental for the establishment of large enterprises such as the forestry companies in the province. Malonda's role has been considerably reduced with recent cuts in its external funding. AMODER, which is a National Association currently focusing on micro-finance after an initial period of a 'consortium' model, is active in many Districts in the province but currently not in the District of Lago (see *ORGUT 2014d* for more details).

At the District level, the District Services for Economic Activities (SDAE) is mandated to carry out the same types of licensing as the Balcão Único, but as indicated above there is a lack of training/awareness of this at the District level. According to the Lago District Administration (*GdN/DdLago 2014*), only one licence for industries has been issued under the simplified regime. The total number of registered small-scale industries was 103 in 2013, down from 177 in 2012, explained by the authorities as reflecting a large number of small mills (*moageiras*) that are out of business due to breakdowns or competition (Table 5).

Table 5: Type and Number of Entrepreneurs, District of Lago

Type	2012	2013	2014
Shops/barracas	227	224	288
Mills	56	54	73
Carpentries	5	5	7
Garages	2	2	2
Constructors	13	12	10
Pensions	26	27	29
Others	2	2	2

Source: *District of Lago/SDAE*

Two other institutions are involved in licensing and taxation in the Lago district. One is the *Autoridade Tributária de Moçambique*, that was established in Metangula in 2012 (the other two are in Manimba and Marrupa). This deals with personal income tax from owners of small- and micro enterprises ("Imposto Simplificado para Pequenos Contribuintes", ISPC) equal to three percent of sales every trimester. Taxes are claimed on the basis of a small accounting book (*Livro*

de Operações) and a book of receipts (*Venda e Dinheiro*). There are so far only 50 registered ISPC payees in Metangula, and many operators simply do not pay. There has been considerable activity related to fiscal education, which is seen as a better way to get people to pay than fines and other penalties.

Finally the Municipality of Metangula collects various enterprise-taxes within the municipal boundaries, from what is estimated by the Municipality itself to be around 50 percent of the economic agents established in the town. There is, as shown in Illustration 2, a large number of potential ‘taxas’ in existence (‘Annual taxes’, ‘Monthly taxes’, ‘Daily taxes’, ‘Other taxes’). The more exact boundaries between SDAE’s and the Municipality’s areas of responsibility remain unclear - to

Illustration 2: Taxes!

TAXAS ANUAIS	
1. Barracão de tipo A	250,00
2. Barracão de tipo B	150,00
3. Barracão de tipo C	100,00
4. Licença de vendedor ambulante Nacional	50,00
5. Licença de vendedor ambulante Estrangeiro	100,00
6. Barbeiro	20,00
7. Carpinteiro	20,00
8. Pastoria (Pastorina)	50,00
9. Indústria Moagem	100,00
10. Reparação de Bicicleta	10,00
11. Reparação de Moto e Carro	20,00
12. Servidores Públicos	50,00
13. Reparo de Bicicleta	10,00
14. Taxa Anual venda bebidas Tradicionais	200,00
15. Artesanato	20,00
16. Colheita	20,00
17. Reparação de Rolagem	20,00
18. Sapateiro	10,00
19. Alamo	20,00
20. Engenheiro	20,00
21. Oficina (Fabrico pastas de barro)	10,00
22. Reparação Eléctrica	20,00
23. Venda de Lã	20,00
24. Alamo	20,00
25. Venda (Inferno) de Combustível	20,00

TAXAS DIARIAS	
26. Barracão tipo A, B e C	100,00
27. Taxa fixa de água sanitária	10,00
28. Venda de carne	15,00
29. Venda de Peixe, Peixe e Horizontal	10,00
30. Venda de Mido	10,00
31. Mercador de Produtos de Alimentação	10,00
32. Venda de Forno	10,00
33. Venda de Produtos de Alimentação	10,00

OUTRAS TAXAS	
34. Utilização Indústrias Públicas	1,00
35. Contrato água canalizada	400,00
36. Taxa religião água canalizada	250,00
37. Licença de Comércio de Alimentos	400,00
38. Licença de construção Comércio e Indústria	450,00
39. Aprovação projecto de arquitectura	100,00
40. Aprovação projecto Indústria e Comércio	400,00
41. Fabrico de Espinhos ou Sinos de Alamo	100,00

Photo by: Sam Jones

us as apparently also to the staff of the two institutions.

The formal laws and regulations related to licencing and taxation are clearly stated in relevant legal publications available to local staff (see for example GdN 2011). It lists the types of activities covered under the simplified licensing system under the headings i) agriculture, ii) trade and services, iii) construction, iv) sports, v) industries, vi) transport and communication, and vii) tourism; gives a legal definition of each type of activity (*banca, barraca, comércio ambulante, loja* etc.); specifies the taxes/fees (*taxas*) that are relevant under each type of activity; and lists reactions in case of non-compliance.

In sum, while there is a clearly defined institutional and legal framework for licensing and taxation of small-scale businesses/ entrepreneurs in Lago, this does still not work optimally because of weak institutional capacity. The relevant institutions are understaffed, and only seem to have a partial understanding of what the formal system of licensing and taxation entails. As we shall see below, some entrepreneurs do their best to follow legal procedures as they see it in their interest to do so while the majority seems to accept the ‘informal’ way in which it currently functions.

2.3 Local Entrepreneurs

Looking more closely at the private sector/small-scale businesses in the Lago District from the ‘bottom up’, interviewees in Metangula list approximately 25 persons that are considered to be ‘entrepreneurs’ and have ‘businesses’ in the local perception of what this encompasses. The number and names given by different informants were strikingly similar, implying relatively clear perceptions of what a real entrepreneur or businessman is. The list counts boat-owners (9), carpenters (4), service providers (5), transporters (4), fishermen (2) and brick-makers (1). All except two have more than one activity (ranging from two to six), and all except two come from outside of Metangula (with four being foreign nationals).

Interestingly, none of our interviewees listed the three major industrial 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. Also, people did not list any of the large number of small-scale traders selling in the public market or as *ambulantes* – thus clearly not seeing these as entrepreneurs.

People use the term *‘gueni’* for doing business and *wagueni* for an entrepreneur/businessman (with no specific word for businesswomen...). They usually operate with three types or levels of entrepreneurs based on a combination of i) economic power, ii) visibility of the enterprise, and iii) behaviour and relations with customers and people in their community. In the local vernacular, then, Lago does possess small, medium and large enterprises – even though they formally only

qualify for being micro-enterprises (and not even that should all three formal requirements listed above be fulfilled). A category of businessmen called *buena* in the local vernacular is of a size and nature that “only exist in Maputo and not in Niassa” as one local businessman put it.³

The *wagueni* in Metangula, which houses the largest entrepreneurs in the Lago District due to the superior market and access to Malawi (by boat) and Lichinga (by road), are primarily located in the very centre of the town between the municipal marketplace and the beach from which the boat ‘Tchambo’ leaves for Malawi. They are also located close to the formal ‘government’ part of the town, where most of the purchasing power in the District sits. In fact, only one of the entrepreneurs pointed out to us works from one of the shantytowns or *bairros* in Metangula in which the large majority of the population of 24.000 people lives.

The majority of the *wagueni* who fulfil local definitions of being entrepreneurs have shops or *barracas*, sometimes in combination with one or more lorries for transport of people and goods. The first and for many years only shop owner was a Portuguese who stayed behind in Niassa after Independence in 1975. He started his first shop with 20 Escudos, and by the time he was 26 years old he had three stores in the province. In 1982 he was invited by the then Administrator in Lago to open a store or *loja* (still the only one seen to fulfil the requirements for being a ‘loja’ and not a ‘barraca’), and given premises in the government part of the town for free. Since then his business has seen highpoints with 10 shops, trucks, bakeries, pensions, warehouses and agribusinesses in Lichinga, Sanga and Lago, and lower points when he has struggled more. In Lago, much of the basis for his business has been to give credit to government employees and keep prices lower than his competitors. Partly for this reason, he claims, he has never had problems with government. He currently employs a total of seven people in Lago. However, he struggles with low rates of repayments, and stronger competition from new shop owners.

One of his new competitors is a shop (*barraca*) owner from Bangladesh. With start capital from his home country and family relations in Niassa, the owner did a thorough investigation before he decided to settle in Lago in 2012. He has established a shop with a wide variety of goods, and he owns two trucks with which he transports goods for himself and other shop owners between Metangula and Lichinga. To avoid problems he initially systematically contacted all relevant public official to get the necessary licenses (*‘Documento de Finanças; Licença para Lojas* from SDAE; *Licença de Município*; and papers from *Segurança Social’*), and even invited the relevant officials to the opening day. He claims he is particularly vulnerable as a foreigner (“Os outros não tratam muitos documentos”). While he largely sells the same products as other shops (food, cooking utensils, clothes, shoes), his business idea is to keep lower prices. His total monthly sales have increased from 30,000 Mt 2012 to 90,000 in 2014, paying a total of between 2500 and 4000 Mt in monthly contributions to the state. He employs a total of five people, including his younger brother who has come from Bangladesh. The interviewee becomes a bit more vague when asked about how much he earns, stating it to be ‘between 10.000 and 15.000 Mt per month (while sitting on the steps in front of his nice house with a car and three parabola antennas...). His main problem is theft, both from employees and customers. The owner wants to expand with more shops, but in other parts of the province.

Other shop owners include people from Lago, either with the same type of goods or more specialised in for example food, clothing, agricultural tools or fishing equipment. These shops are smaller and primarily run by the owner himself or his relatives, and most of these owners come from other parts of the District. They tell us that they have used income from fisheries or agriculture

Illustration 3: Old-fashioned Portuguese store



Photo by: Inge Tvedten

³ Or “of the type the President of the Republic has” as another argued...

as starting capital, and moved to Metangula where there are more customers. In fact, the only shop owner people claim to be ‘one of their own’ from Metangula is known to have risen quickly – with several fishing boats, shops and bars – only to see his investments deteriorate to a level where he now only has a small bar left. The main reasons for his downfall appear to be lack of knowledge about business management and strong pressures from family and friends and neighbours (or as he put it himself: “How can you refuse when your own aunt wants a bag of maize and says she will pay later....”).

There is a market for other types of enterprises/entrepreneurs in Lago as well. As with shop owners, most of these try to combine several activities partly to enhance income options and partly to reduce risks. ‘Patrick’ has a carpentry shop and makes beds, doors and chairs. He is originally from Zambia and came to Lago on a visit, and decided to settle. Money for initial investments was obtained through family relations. Patrick makes between 35,000 and 50,000 Mt per month before labour costs – and claims he shares profits with his co-workers. He has also invested in transport, and currently has a minibus (*chapa*) and a boat for freight. His current plan is to invest in another boat. His main challenges as entrepreneur is the dearth of a bank in which he can deposit money, and the confusion and costs related to various licenses and taxes (a boat licence costs 48,000 Mt).

‘Leticia’ is as many other small-scale entrepreneurs in Metangula a teacher. With the help of her salary, her current husband’s fish trade and two goats from her late husband’s father she started with a *barraca* and later expanded to a bar. Her main activity is now a small pension where she rents out rooms and sells food and drinks. She also does around seven ‘events’ per year organising seminars with catering for public employees in Metangula. Being registered under the ISPC regime (see above) she has no problems with licensing, taxes and fees. Her main difficulty is the limited market and the difficulty of depending on others when she has to go away.

Other increasingly common types of entrepreneurs/businesses are hair-dressers/beauty-salons and brick makers. The largest investments are necessary for the first category (*salões de beleza and cabelereiros*). These are mainly used by young people, who have clear perceptions about

Illustration 4: Carpentry-shop



Photo by: Inge Tvedten

what such places should look like. The most recent male hairdresser in Metangula has built a fancy and visible little shop (close to the secondary school), invested in equipment and neon lights, and covered the walls with posters of the hottest West African fashion. Having used money borrowed from his family, the owner does still not know if he will manage with the limited market and increasing number of competitors.

Brick makers (*olheiros*) are hardworking with limited options for making profits. The main brickmaking site just outside Metangula has grown at least fivefold just the past year – indicating increasing building activities but also limited alternative sources of income for young people. Five young men started a few

months prior to our visit with loans from family and friends in order to buy the first load of wood (according to themselves they are not eligible for the 7 million Mt loan because they are poor, young and not considered to be ‘responsible’). The initial investments are big (including 1000 Mt per truckload of wood in district taxes to SDAE), and it may take up to 6 months to a year to sell 30,000 bricks at 2.5 Mt per brick (i.e. 75,000 Mt).

There are also examples of more unusual initiatives and investments. A teacher in physical education originally from Beira wanted to start a gym focusing on aerobics and rope skipping. To do it properly and formally correct he started contacting the District Administration and the Municipality in 2012, and was met with positive interest. During three initial events (*feiras*) in the town centre they had more than 100 people present and interested to take part. However, setting up a small modest gym turned out to be quite expensive, and to get his money back and earn at

least something from all the time he spends he has had to charge a small fee for membership – with the result that only nine people have actually signed up.

Yet another entrepreneur has taken over a small plant nursery from an international NGO that discontinued its activities in Lago. The plants were primarily sold to schools and other public institutions for educational or beautification purposes. Working with the plants with great care and diligence, the entrepreneur has encountered serious problems as former government clients have stopped buying plants even though he offers a wide variety of quality trees, bushes and flowers. As noted, the government and government employees represent the main purchasing power in the District.

Finally, one of the – in theory – safest investments in Lago is in chicken farms as both the meat and eggs are popular and sought after and currently quite expensive. One entrepreneur has been interested in starting up a business of this type for quite some time. However, the investments are considerable and necessary government support is not forthcoming. In addition to property and proper buildings, the initial investment would be around 500 chickens at 100 Mt each, and 15 bags of chicken fodder for 1500 Mt per bag. After 45 days the chickens will sell for around 190 Mt each and a tray of eggs for 40 Mt. When contacting SDAE there was no help to get - despite their responsibility for supporting agricultural investments of this type of initiatives and a 'test farm' in its back-yard.

Illustration 5: Looking cool....



Photo by: Inge Tvedten

2.4 Summing-up

From the cases above, some patterns emerge. The large majority of entrepreneurs concentrate around a very limited variety of types of businesses, with shops selling basic necessities and vehicles for transport being the most common. The few people who try something different seem to have problems establishing a market. All businesses are also very individual in their nature, having been initiated as single person enterprises apparently with no attempts at cooperating with others in the same market segment. The businesses have also expanded very slowly, with greater emphasis on diversification than concentration. Perceptions of the political/ administrative framework for doing business vary between those who have managed to 'crack the code' primarily by being incorporated in the ISPC-regime; those who find themselves susceptible to a number of claims from different public authorities without really understanding the system; and those who prefer to have no relations with public authorities at all. Finally, practically none of the entrepreneurs that have been identified and that we have interviewed are locals from Metangula.

3. THE MELULUCA COMMUNITIES

3.1 Most Important Changes

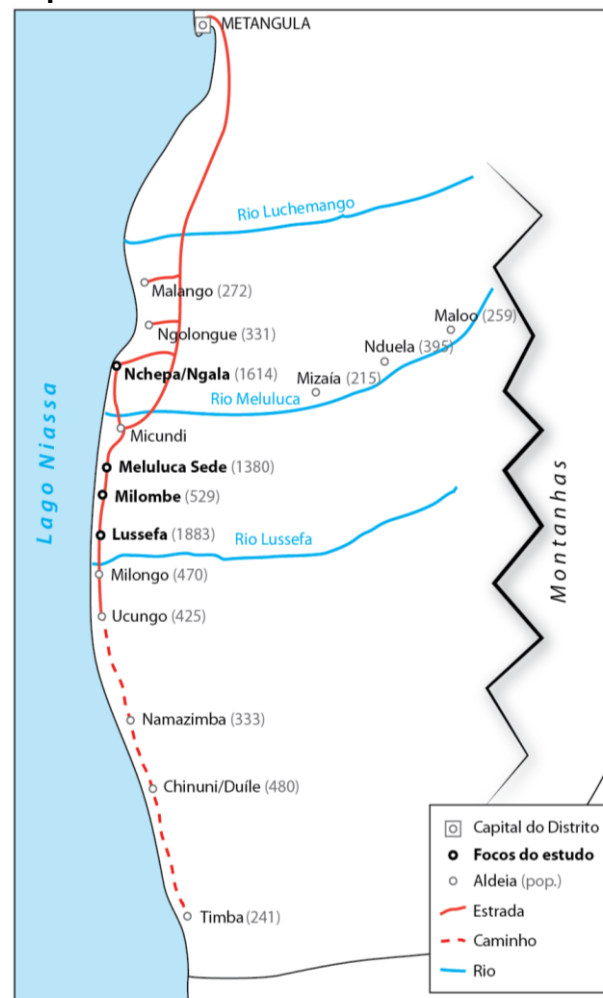
On the way from Metangula to Meluluca (see Map 2), several new entrepreneurial establishments are discernible: A small but brand-new hairdresser with a blinking neon sign 'Open' (in English); a new shop for bicycle repairs; a new 'barraca' selling second-hand clothes; a small house with a big sign advertising 'curandeiro' (traditional doctor); a large site for the production of building blocks; a small nursery for plants; an 'acampamento' semi-permanently housing workers from a construction company (from Lichinga) maintaining the road; a tailor working from the porch of his new house along the road; and a new mill or *moageira*. We also pass a bridge over the river Meluluca that has recently been renovated after a terrible accident just two months earlier. A lorry full of people capsized into the river, and another smaller car following just behind fell on top of it killing 16 people.

Upon arriving Meluluca itself things seem unusually quiet, being a period in between harvests and a new agricultural season with men being away clearing new fields and women using the slack period to fetch grass and mend roofs. Fishing has also picked up since last year (see ORGUT 2013a), with fishermen resting after a long night on the Lake. At the same time a number of new developments are visible: The number of shops along the main village road has increased; the secondary school is electrified with light from solar panels; the Administrative Post has moved from the central square in Meluluca Sede to an area a bit more withdrawn; the hospital has a new head nurse, long queues and also has electricity from solar panels; two new mosques are under construction; a new business for making blocks (*tijolos*) reflects the large number of new houses being built; and the deep depressions on the road between Meluluca and Lussefa are finally being refurbished.

Meluluca is, as emphasised in all previous sub-reports, clearly a place with considerable dynamics and change. The dynamics have further accelerated the past year and a half, with the new and pro-active head of the Meluluca Administrative Post (see ORGUT 2013a). According to the *Chefe do Posto* himself, the main changes from last year have been the installation of electricity from solar panels in the school, the hospital, two shops and the Administrative Post (even though that is still not working...). He underlines that he has *not* installed electricity in his own house close to his office, "because it would look like I favour myself before the population". This is a lower number of solar panel installations than envisaged last year (ORGUT 2013a), but the *Chefe* argues that many are waiting to make sure that the system functions well.

The local economy has seen an increase in commercial activities, the *Chefe do Posto* continues, with the 7 million Mt program financing 16 projects in agriculture/fisheries and 10 in trade/commerce (see below). In agriculture, the most important has been that there was no hunger last year. Rain was relatively good, and there were no long dry spells. One external initiative from an NGO has supported the production of sweet potatoes, with parts of the support having gone to Timba and

Map 2. The Meluluca Administrative Post



parts to Lussefa that previously were largely left out from such initiatives. For the first agricultural season (*primeira época*) there were problems with the delivery of seeds (mainly maize), but seeds did arrive for the second season (maize and vegetables). Currently (i.e. in August 2014) many people work on their vegetable gardens or *hortas* making use of water/remaining moisture from rivers and the Lake – albeit still without anybody having made investments in improved technologies (such as water pumps) to ease the workload (see ORGUT 2013a).

In fisheries, the production has improved since the ‘disappearance’ of the dominant small sardine *uusipa* last year. However, the fish seem to move a lot, and the fishers don’t have access to necessary equipment (such as ‘sondas’). The number of fishermen investing in boat and motor has increased, but there is also an increasing number of Malawians (arriving ‘*em vias não apropriadas*’). The focus is still on the *uusipa* (which is easiest to process and has the most ready market), and the *Chefe do Posto* argues that people should diversify more. With the new ice-making machine in Metangula (see above), more people should be able to sell fresh fish which pays considerably more. At the same time, the interviewee argues that an increasing number of people related to the fishery sector save – with six saving groups (*grupos de poupança*) in Meluluca having saved between 1000 and 5000 Mt in July only.

As regards infrastructure, the head of the Administrative Post highlights the initiation of the construction of a *Praça dos Heróis* (located between the Post and his dwelling). Emphasising what he calls ‘local initiatives’ (i.e. work initiated by him/the local community with subsequent support from Government), he mentions the construction of schools in Maloo (*já temos blocos and chapas*); a secretariat for the school in Nchepa (where the rector and teachers can work); an annex to the school in Micundi; corrugated iron or *chapas* for a new building in the school in Meluluca Sede; and an annex to the school in Chilowa. Another local initiative (“I go and knock on a lot of doors in Metangula and Lichinga [to get support]”) is the repairs of the many depressions (*covas*) on the road in Lussefa.

A government funded school has finally been built in Lussefa (after teaching having taken place under a tree the past three years), but this already has big cracks in the walls making the *Chefe* (in cooperation with the Lussefa *rainha*) argue against starting to use it despite new chairs and desks (*carteiras*) already being in place. The government is also financing the construction of the last part of the road to Timba, which hitherto has been isolated and only accessible by boat (see Map 2), and the maintenance of the road and bridges between Meluluca and Metangula (by the public road institution ANE/Obras Públicas) – both with the use of local workers. The *Chefe do Posto*’s main plan for the coming year is the construction of a new hospital, an idea which apparently is being seriously considered by provincial government and “even talked about on the radio”.

Of other developments, the new boat “Tchambo” trafficking Lago-Malawi stops in Meluluca twice a week (one on the way to Malawi and one on its return to Metangula). People enter the boat through an open ‘*rampa*’, and up to 30 people from Meluluca go on board at every stop (with the infrequent stops, many traders go by road to Malawi and by boat on their return to Meluluca in order to minimize the time and costs in Malawi). However, the relatively high price levels (a one-way ticket cost 350 Mt and an additional 150-250 Mt for goods) still inhibits many from using it.

There is also construction of new mosques in Chilowa, Lussefa and Milongo (“but the government has nothing to do with this!”). The one in Chilowa is the largest and most costly, supported by external economic agents belonging to the reformist African Muslim or *cadeana* branch of Islam. The other two belong to the traditionalist *charizia* branch, and are built with local resources and

Illustration 6: Tailor at work



Photo by: Inge Tvedten

labour.⁴ The former has done away with (or ‘neutralised’) a number of ceremonies of the ‘old tradition’ (*antigo mandato*) of the *charizia* branch related to births, weddings and funerals and are less strict on observing prayers etc.

Also, the National Institute for Social Assistance (INAS) has made an investigation (*laventamento*) into potential candidates for receiving social support from the institution, so far from Lussefa to Micundi – resulting in 250 people receiving funding with sums depending on the category of support and the size of the household. According to the *Chefe do Posto*, people who already receive funds from the government (*antigos combatentes*, *secretários de bairro*, 7 million scheme etc.) are not eligible and do not receive support.

Returning, finally, to the issue of negative reactions to an MDM-flag in Chilowa last year (see ORGUT 2013a), the *Chefe* says that the story shows how *bandeiras* for political parties may have other intentions than political ones. In Chilowa, the MDM flag apparently was a protest against the Lussefa *rainha* for favouring her parts of the village. Chilowa had not received any investments in schools, water posts, road maintenance etc., and the flag was used to pressure local government and her. With investments, and the appointment of a new Bairro Secretary at the initiative of the *Chefe do Posto*, the conflict has apparently ended and the flag has been taken down...

The change between 2013 and 2014 with the most immediate positive effects for the local community is the alteration of personnel in the local hospital – which up till now has been one of the main sources of complaints (see ORGUT 2011b, 2012a, 2013a). It shows, again, the importance of having well-qualified government staff at the ‘far end’ of government services. The new head nurse has cleaned up the hospital, is always present for the patients, and shows a keen interest in preventing disease in a community where there is considerable scope for this. From May 2014 (the last months of the previous staff) until August 2014 the number of patients per month increased from 630 to 1228.⁵

According to the new head nurse, the most common diseases in Meluluca are malaria (largely because people use mosquito nets for fishing rather than protection) and diarrhoea. There is also a small but increasing number of people with tuberculosis. Still according to the head nurse, the main challenges related to the health situation in Meluluca are: i) the inadequate use of latrines, ii) the inadequate access to clean water (with the majority using the Lake), iii) the lack of tradition for mouth hygiene (with the mouth being ‘a porta de entrada de doenças’), and iv) the inadequate hygiene in people’s houses. The nurse tries to speak to patients about all this when they are at the hospital, but he thinks it may be necessary with home visits to make them understand.

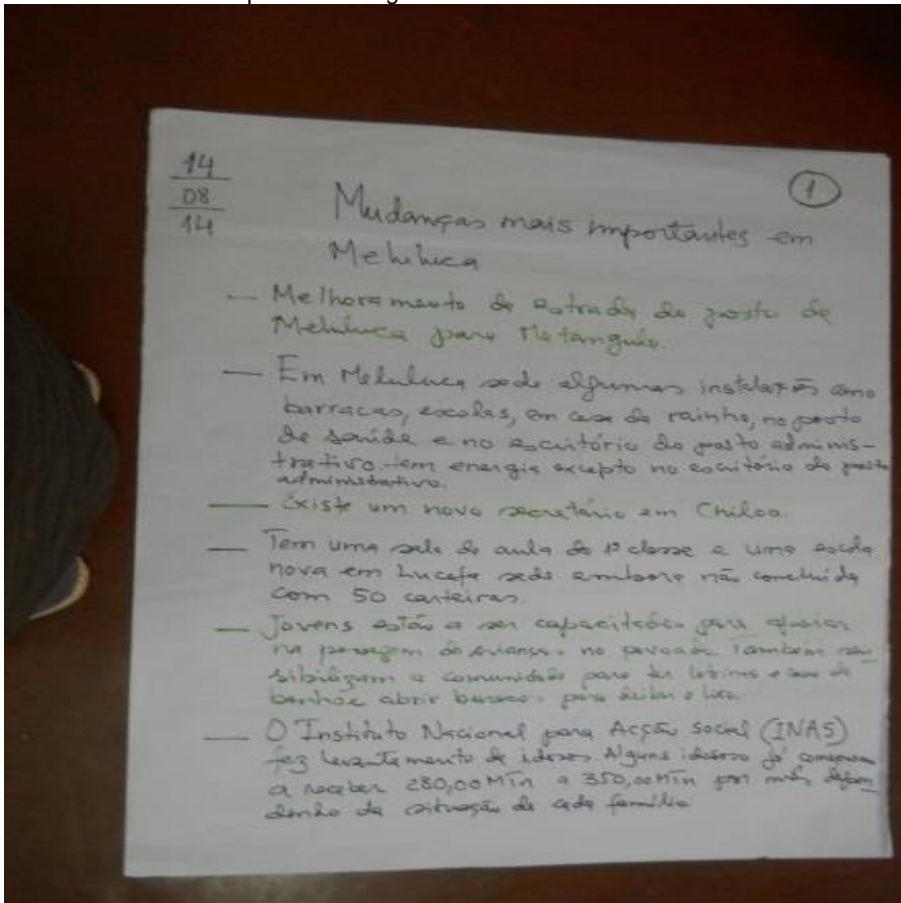
The primary school (1-7 Grade) has also seen changes, especially with electricity and options for night-school and the establishment of a separate unit in Chilowa for 169 students from 1-3 grade. This has increased the number of children going to school from that village considerably. Otherwise the number of students in the main school in Meluluca Sede is fairly permanent, with 744 students in the school year 2012/2013 and 743 in 2013/2014. A major challenge continues to be the large number of students who disappear during the school year – and particularly after the celebration of Children’s Day June 1. A large part of the 235 students that dropped out last year did so at that time. The celebration is very important both for parents and children, marking a rare opportunity to dress up and revel. The school management thinks that taking part in the celebration has become an objective in its own right, with many parents (and some children) preferring to have their children work when this is over with. It may also be related to the initiation rites that usually take place in June (see ORGUT 2013a).

In the focus group on ‘Most Important Change’ carried out in Lussefa with a group of 12 men and women, the following were listed as ‘most important changes’ the past year:

⁴ The strength of Islam is indicated by the fact that the *Chefe do Posto* says that he has signed guias for people from Meluluca going to Islamic schools in Nampula in Maputo, ‘and even to Mekka’.

⁵ The figure for August was 819 until the 20th of that month, and the total has been stipulated on the basis of a similar number for the last 10 days.

Illustration 7: Most Important Changes



- Most Important Changes in Meluluca:**
- Improvements of the road between Meluluca and Metangula
 - Some institutions and people have solar panels and energy – but not yet the Administrative Post
 - There is a new Bairro Secretary in Chilowa
 - There is a new school in Lussefa with 50 chairs
 - Young people are given health awareness training by people in the hospital
 - Some people receive between 280 and 350 Meticais from INAS

Photo by: Inge Tvedten

3.2 Entrepreneurship

As reported in earlier sub-reports from Lago (ORGUT 2011b, 2012a, 2013a), Meluluca was traditionally an isolated and poor community, heavily affected by the war up till 1992. Fishing and agricultural production were primarily for subsistence, and being ‘refugees’ in Malawi was the main experience most people had with the world outside. The community was also very ‘traditionalist’, with strong influence of traditional authorities (*regulos* and *rainhas*), dominance of the Muslim faith, a matrilineal kinship-system, and prevalence of polygamy. Only a very few had the resources and possibilities to relate to other population centres such as Metangula and Lichinga.

This changed dramatically in 2008, when the new road to Metangula was constructed with the help of an NGO and the community suddenly ‘opened up’ to the world outside. There was a sudden influx of economic agents wanting to buy fish; a number of local shops soon opened up; and within a very brief period of time most essential goods (food, clothing, basic utensils) could be bought in the local community. With money in circulation, people also started to improve their housing and request commodities and services that had not been readily available in Meluluca - leading to an increase in trade particularly with Malawi. There people had relatives and other contacts, and goods were considered to be better and cheaper than what was available in Niassa.

As noted in the introduction to this report, Meluluca is currently considered by the District authorities to be the most dynamic and productive part of the District of Lago. At the same time, our series of studies from Lago/Meluluca have shown that there are significant differences in poverty and well-being among the population, meaning that far from all have been in a position to exploit the recent economic developments. We have also seen how women and female headed households tend to be among the poorest.

In connection with group discussions about entrepreneurship, people in Meluluca defined three types of entrepreneurs in the local community – small, medium and large. In the local vernacular,

these are called *Gueni Zingonozingono*, *Gueni Yapakati* and *Gueni Zazikuluzikulo* respectively. The term *buana* is used for entrepreneurs who employ others (i.e. non-family members), usually being in the 'large entrepreneur' category. 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. Making a list of types of entrepreneurs/enterprises in Meluluca, a focus group of young men and women revealed that the large majority are connected with traditional types of economic activities (commerce, fisheries, agriculture) – and with men (see Table 6).

Table 6: Local Perceptions of Types of Economic Activities/ Entrepreneurs 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 information from group discussions and individual interviews (see below), entrepreneurs tend to start their businesses in one of two ways. The most common is to start small (usually on the basis of small surpluses from fisheries and agriculture), and then build oneself up over time usually via trade with fish or commerce. In a final phase, some manage to extend their businesses by becoming involved in transportation or other more risky (but potentially also more rewarding) types of economic activities. Most of the entrepreneurs in Meluluca seem to work in relative isolation from other economic agents and public institutions, arguing that it is difficult to trust others (*falta de confiança*). Starting 'bigger' by borrowing money or other types of access to capital investments seems much more rare, with the exception of people who have access to the 7 million Mt scheme (see below).

Case. Mr. 'António' is one of the three 'large entrepreneurs' (*Gueni Zazikuluzikulo*, or *buana*) people identify in Meluluca. He was born in 1969, and his four wives, 12 children and grandchildren is a clear sign of his success. Mr. António's father was a tailor, and his mother worked in their agricultural fields. He only reached Grade Five in school ("it was closed a lot at that time"), but has worked hard and strategically to become the richest man in the community. At the same time he has continued to live in Meluluca, as opposed to the two other *buanas* who have moved out and only visit in between. He seems to be well integrated in the community and takes part in social events such as weddings and funerals, and has a relaxed relation with others including the poor in his neighbourhood.

The interviewee started by working on the fishing boat of *patrões*. During a period of unusually good fishing at the time of war he managed to buy fish that he transported on foot over the mountains to Lichinga – which took him three days. When people in Meluluca had to leave the areas adjacent to the Lake and cut out fishing during the most intense years of the war, he started to sell chickens in Lichinga and Malawi and took back *capulanas*, used clothes, shoes and other things that were not available in Meluluca. To increase his business he also started to trade in

maize meal, which gave sufficient income to open a *barraca* in Metangula. He did this partly to avoid socio-cultural pressure at home, and partly to accommodate his second wife who lived there.

In 2004 he felt confident enough to open a shop in Meluluca, and then another one in Metangula in 2009. His main problem both places is people (relatives, neighbours, friends and others in the community) who insist on getting things without paying (“*Não sabemos como fazer*”). In addition to the three shops, his business now includes three minibuses and one truck bought in 2011, and one fishing boat bought in 2009. He has also started to get into construction by building houses in Metangula that he rents out («I would prefer to sell but there is very little market for that in Lago»). In all his businesses he primarily relies on his own family (wives, children and siblings), and the only non-family members he employs are drivers.⁶ Mr. António insists that he has never borrowed money, and only invests in new activities when he has saved for that purpose.

The apparent near complete lack of cooperation between entrepreneurs working with the same types of economic activities seem key for explaining the relatively limited number of locally based businesses. Few people have sufficient money to make initial investments by themselves. Also employment is usually done by hiring or using close relatives, such as brothers or children, rather than other – and perhaps better educated – employees. The most usual explanation given is that it

Illustration 8: Well-stocked local store



Photo by: Inge Tvedten

is difficult to trust others (in the case of men) and that women do not ‘understand money’. Part of the explanation is also a socio-cultural pressure for supporting close relatives with employment and income. One of the main explanations given when shops are temporarily closed or fishing boats are idle is that the owner is travelling – with nobody who can take care of his business while he is gone.

Case. In a relatively secluded part of Meluluca, several families from Malawi have settled and run profitable businesses based on agriculture and fish trade. They are so efficient in the latter that a separate fishing camp (*acampamentos*) has been established nearby inhabited by local fishermen who want to sell the fish for stable and good prices. The head

of the main family constantly travels to take care of business interests in Malawi, while his wife trades fish as far as Cuamba and Nampula. While they are gone, other families look after (and sometimes work on) their fields that produce commercial crops like soya and millet with a market in urban areas. The basis for their success seems to be an acknowledgement that several economic activities require cooperation with others, and not being from Meluluca implies that the social pressure for sharing is less than for local entrepreneurs.

The apparent strict gender division between types of economic activities/entrepreneurships partly reflects traditional gender roles, where men have been seen as responsible for the upkeep of the households and women primarily for domestic/agricultural activities. However, men also argue against women leaving their neighbourhoods and the village alone to pursue economic activities. Many state that if women come home with a lot of money, this *must* be because they have engaged with other men and received money that way. As shown in Table 6 the notion of what type of activities that are ‘suitable’ for men and women respectively was also largely shared by a group of young people between 18 and 24 years old – showing the extent to which gender divisions of economic activities are embodied.

Case. In Nchepa, a divorcee with three small children has invested in a small oven to make pots and pans. She initially received support from her mother’s oldest brother, and decided to focus on pottery in order to be able to combine work with looking after her children. Her main challenge is to

⁶ He relates to the challenge that poses in terms of trust by driving the route himself for several weeks, for example between Metangula and Lichinga. This way he knows what he can expect in return from his driver – and when to start interrogating his honesty.

get hold of clay, for which she usually has to pay younger boys. For the production itself she sometimes gets help from neighbouring women, who she gives pots or pans to sell as compensation. As her artisanal activities can be done when she wants to and has the time, she can also combine it with working in her two *machambas*. Her main challenge is that people tend to prefer zinc or plastic utensils, but she still sells sufficiently to get by. She has also wanted to sell through the tourist resort in the area, but does not have the courage to go and ask.

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 our wealth ranking exercise done 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. People who are considered to relate

Illustration 9: Just to be on the safe side of things.....



Photo by: Margarida Paulo

well to the community are respected and treated well, but people who are seen to 'leave their roots' and treat others with disrespect are susceptible to strong responses in the form of sociocultural sanctions (witchcraft), social isolation and boycotts of their business venture.

The challenges of being an entrepreneur in the local community is one reason why many establish, or move substantial parts of, their economic activities outside Meluluca – usually to Metangula or Lichinga. This way, their success is not equally visible and they are less susceptible to

social pressure from family and other community members for sharing their riches and giving goods for free. The most successful entrepreneurs are those who manage to combine the two, maintaining a foot and good relations in the local community at the same time as they grow in areas where they can act more in line with 'good business principles'.

Case. Perhaps the best example of this is one of our focus families (see below). The head of the household has developed his business since starting with a small tobacco field in 1999. It now includes a number of agricultural fields (mainly used for consumption by his five wives and 22 children); 43 heads of cattle which he sells for between 8,000 and 15,000 Mt per head; five fishing boats with a total number of 24 workers from his local community; one shop in Meluluca (mainly with basic necessities) and one in Metangula where he sells foodstuffs as well as commodities like bicycle spare parts, motor bikes and electrical appliances. He buys most of the goods for his shops in Nampula (where it is cheaper than in Lichinga); pays a total of 1000 Mt in taxes every year; and earns between 30,000 and 40,000 Mt per month in a good period and down to 10,000 Mt in a poor one. The interviewee employs a number of people outside his own immediate family both as fishermen and in the fields, and is known to support families in his village with particular difficulties. At the same time his recent business expansions, primarily in trade and transportation, all take place in Metangula and Lichinga. This is mainly because of the better market, he explains, but he also indicates that growing too much in his local community would pose problems. Some people may become envious (*inveja*), and may start to create problems (*feitçeria*).

Seen from an economic point of view, one of the main characteristics of entrepreneurs in Meluluca is the limited understanding of alternative economic activities and sound business principles. As

argued for Lago in general (see above), the private sector is dominated by a small range of enterprises – often with severe competition between them. Perhaps the best example of that in Meluluca is the strong increase in the number of flour mills (*moageiras*). From only two at the initiation of the Reality Checks in 2011, there is now a total of 12 in the same communities. Most of them have been started with funds from the 7 million Mt programme, and they are considered benevolent as they give quick returns to investments.

Case. One young man started his business as a mill owner with the help of relatives. His older brother, who lives in Lichinga, gave him sufficient money to buy a second-hand *moageira* in Tanzania where it cost 35.000 Mt as opposed to 45.000 Mt in Lichinga. The deal is that his young brother gets to keep what we can earn from two *galões* (of 20 l each) of oil, with the rest going to his brother. In the beginning the interviewee travelled to Lichinga once a month to give money to his ‘beneficiary’, but to save money they agreed to meet once every three months. On a normal day the interviewee has between 10 and 15 clients, who pay 20 Mt for one 20 kg bucket of shelled (*descascado*) maize and 50 Mt for a 20 kilo bucket of (*não descascado*) maize. His main problem is that the mill frequently breaks down, with a rubber strap driving the motor being the most frequent challenge. To repair this cost 750 Mt. In a normal month he earns 2500 Mt. In addition, he may earn up to 500 Mt per month fishing, but due to a handicap there are limits to how much time and effort he can put into that.

Another major challenge and constraint for local entrepreneurship is the limited understanding for basic business principles, such as making sure that one has sufficient funds to complete initial investments and a buffer to relate to changes in the market. Most people are simply not used to handle larger sums of money, and to think in terms of alternative economic scenarios outside agriculture and fisheries. One of the most successful entrepreneurs in Meluluca expanded his businesses from fish trade to shops and transportation, and explained his success with reference to a short five day course given by an NGO in setting up a business plan. Having said this, people in our focus groups did not see general basic education as a prerequisite for becoming an entrepreneur. They rather referred to issues such as ‘family relations’ and ‘hard work’ – insisting that several of the most successful entrepreneurs in Meluluca only have a few years of education if any.

People in Meluluca clearly realise that their situation would be better if there were more people who would invest and more economic activities. This would bring better access to goods and services, and potentially also employment. Asking focus groups what type of enterprises or businesses they would prefer to have in Meluluca (as part of the Force Field Analysis exercise, see ORGUT 2011a), 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 7).

Table 7: Force-field Analysis

Preferred businesses	Forces against	Forces in favour
- Pensions	- No local capital	- People want to work
- Large-scale traders	- No support from Government	- Minerals in mountains
- Mining companies	- No foreigners to help	- No crime

3.3 Government-Citizen Relations

As argued by the head of the Administrated Post, the private sector should be private and not dependent on government. What government should do is to improve infrastructure and other conditions to make a life for entrepreneurs easier. The exception is to supply credit through for example the 7 million Mt scheme – even though he acknowledges that this comes with many problems. It is also important, he continues, to actively engage entrepreneurs in community development, because they often have initiative and money. What is missing in order to get more

people to invest, he states, “are viability studies (*estudos de viabilidade*)”. There are many things that could be done. “Why does nobody produce sugar cane in this area, for example”? People also need to follow the market rather than wait for the market to come to them, he keeps on, referring to a farmer who produced soya last year and now complains that nobody buys it. “In Metangula people have started to buy soya. He should take his soya there”.

Many of the recent development initiatives in Meluluca have been taken with the explicit purpose of improving conditions for economic agents, as we witnessed during a session of the local Consultative Council.⁷ The Council has 38 members (of which only five are women....), and counts government employees (*Chefe do Posto*, *Chefes de Localidade*, the head of the hospital, the head of the school), traditional leaders (*régulos*, *rainhas*, *chefes do bairro*), religious leaders (*chehes*) and various economic agents and other ‘influentes’. Consultative Council meetings in other parts of Mozambique often tend to be a one-way communication from government representatives, but in Meluluca the *Chefe do Posto* has managed to make this into a more equal process by assigning responsibility for following up and monitoring initiatives and projects to individual persons. The meeting we witness in Meluluca lasted for close to 4 hours, went through a written list of projects, and called upon the responsible person to report on progress (or explain lack of progress if that was the case). At this particular meaning, the main topics of relevance for economic development/ entrepreneurship were: Construction of a market in Meluluca Sede; construction of a docking-facility for boats (fishing and transport); and finalisation of the road to Timba (the southern part of the Administrative Post that has been isolated).

The common denominator for the government initiatives and interventions listed above is that their objectives are to facilitate private sector development and entrepreneurship. The prime example of a more direct involvement by government is the District Development Fund (FDD) or the 7 million Mt credit scheme. The original objective of the FDD was to contribute to income generation and employment creation, and official figures show that a total of 6,641,085 Mt – a considerable sum of money in this area –has been allocated to a total of 68 projects between 2007 and 2012. Most of the funds have been granted for projects in artisanal fisheries, commercial outlets and (to a much lesser extent) agricultural projects in a context where the agricultural potential is low. The sums per project vary between Mt 70,000 and 177,000. The projects given funding in 2013 are listed in Table 8.

Table 8: District Development Fund Allocations in Meluluca 2013.

Type of project	No of projects	Total allocations	No of beneficiaries
Commerce	10	528.150	19
Agriculture/fisheries	16	740.150	33
Total	26	1.268,300	52

The selection of projects is done through a process in which local people are expected to develop a project proposal consistent with a set of criteria, including potential for ‘income generation’ and ‘employment creation’. Applications are handed in and vetted first by a traditional leader (*régulo* or *rainha*) or a neighbourhood secretary (*secretário do bairro*), whose primary responsibility is to assess the ‘competence and capacity’ of the applicants; then by the local Consultative Council (see above) who are to assess the potential of the application as such; and finally by the head of the Administrative Post for ‘technical approval’. The applications that make it this far are then sent for a concluding assessment at the District level by a District Consultative Council and the District Administration.

The scheme has seen a number of problems such as corruption and nepotism; low success rates; delayed and inadequate payments; and low rates of repayment. In fact, a repayment rate of only around three percent is in the process of jeopardising the entire scheme. In Meluluca the implementation of the FDD has seen significant improvements with the change of *Chefe do Posto* in 2013, and it has also become more of an integrated process. In particular, the involvement of the Consultative Council before a final decision is reached by government officials has become more

⁷ This stands in sharp contrast to the opinions raised by SDAE in the District centre Metangula, where it was argued that the Government has no role in developing or supporting the private sector and entrepreneurship (see above).

pronounced. For our purpose of analysing the basis for and challenges of local entrepreneurs/economic agents, the most relevant is to look at how individual projects have been initiated, planned and implemented. From a quick resume of recent projects that have received funding, five main lessons can be drawn.

First, most of the failed projects have been initiated by the poorest section of the population with no or little experience in the management of small-scale enterprises. Their planning and goals are often unrealistic, and with their vulnerability as poor they often end up 'consuming the money' (*'comer o dinheiro'*) in times of crisis. Better-off and more experienced entrepreneurs are more likely to succeed with their project, even though there are very few examples of people who have fulfilled the wider employment creation objective (i.e. employment beyond the immediate family).

Secondly, in cases where business has grown, this is mainly done by diversifying activities rather than further developing one type of enterprise/industry. The explanation given is that this reduces risks, as for example agriculture and fisheries may see bad seasons, and activities requiring larger investments such as shops and lorries may suddenly collapse with for example robberies and breakdowns. Furthermore, having several dispersed businesses makes it easier to accommodate relatives and other close social relations with employment.

Thirdly, FDD's expressed priority towards collective efforts (*associações*) has turned out to be difficult to fulfil. Associations tend to consist of 5 to 6 people planning to invest in agriculture, fishing or commerce, on a joint effort/shared income basis. People involved in such projects

Illustration 10: Beautification



Photo by: Margarida Paulo

usually explain failures by saying that one or a few of the members of the association either did not contribute with their part or consumed the money, making the rest conclude that it is better to continue on one's own.

Fourthly, very few women have been in a position to apply for funds from the FDD themselves, primarily for 'cultural' reasons as married women are not expected to take that type of initiative and be in control money. As noted many men suspect that women with money have received them from other men – or that they will send money to their own matrilineal family. In the few cases where women have been able to make

use of funds from the 7 million Mt scheme, they are often wives of local polygamous entrepreneurs/ businessmen who see the value of their wives having their own sources of income.

And finally, there seems to be a limit to how much a successful businessman can, or will, grow. This is partly related to 'practicalities' such as the lack of financial institutions/banks (the nearest bank is in Lichinga, and mobile banking has still not made its presence in Lago); cumbersome and often obscure rules related to licensing and taxation (which becomes more complicated the larger the industry); and a limited local market making it necessary to expand geographically to neighbouring countries or provinces in order to grow.

Equally important is the lack of cultural tradition for people becoming rich and 'different' in Meluluca. This has usually been related to people with specific positions in the local community, such as traditional leaders, higher-level officials in government, or an outsider. As indicated above, local reactions to the new class of self-made better-off entrepreneurs seem to depend much on their behaviour. If seen as 'relating well to their roots' and using their wealth in a way that is

beneficial to the community, responses are positive. If not seen this way, the hold customary perceptions of the power of 'spirits' has on rich and poor alike make people fear repercussions to such an extent that they will rather refrain from growing.

3.4 Main Challenges

Also the past year has seen many positive developments in the relations between people in Meluluca and public institutions (communication with the State's local representative, health, education, infrastructure etc.), but a number of challenges remain. Potable water has been highlighted as the main problem throughout this series of studies, but only a few new wells have been built and the large majority of the population still depend on the Lake for water. Roads are being improved and constructed, but the southern part of the Meluluca Administrated Post is still without terrestrial contact and Meluluca may still be closed off from the rest of the District during the rainy season. Expectations have been high for electricity ('Cahora Bassa é Nossa'), and most people see the introduction of solar panels as a second-best option they cannot afford. The health service has greatly improved, but remains a primary preoccupation particularly as regards a rural clinic's ability to help in times of serious illness. And people are still concerned about the fact that Meluluca only offers education up to Grade 7, with many parents who have ambitions for the education of their children not being able to afford to send them to Metangula.

In terms of economic development, people acknowledge the great importance of fisheries not only for those directly involved but also for the community as a whole ('when the fishing is bad, everything stops'). They note with scepticism what they perceive to be a much more unstable access to fish than 'in the old days', and do not quite know what to do about it. There is also a strong sentiment that access to goods and services has improved, but the price level remains high for the major part of the population. The *comerciantes* on their part argue that goods in Malawi, taxes on the border and transportation have become so expensive that they cannot sell cheaper than what they do. Agriculture remains the key source of subsistence (and income for a few), but the sector is not seen as having a great potential. People complain about changing weather conditions, inadequate access to improved seeds, difficulties of selling the products and (for the larger producers) problems of finding people who can work in their fields.

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 Meluluca communities are nowhere near starting a business in accordance with our definition of being 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 and fisheries; they cannot afford to take the risks involved; and they often do not know how to go about making such investments.

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 (see above). 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 months since April 2014. She has never had that kind of money before, and simply did not seem to be able to relate to it. She was not able to tell us how much she had spent on the items she had bought, and could not tell us how much she had left except in terms of the number of bills. While her investment in a chicken was explained by her wish to ‘expand’, she did not have a plan for how to do this.

Illustration 11: In the Transport Business



Photo by: Inge Tvedten

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 Meluluca make and consume. Even the smallest investments, for example in simple tools to produce artefacts, scissors to cut hair or a nesting-box for birds yielding very limited incomes

may have considerable impact on a household's well-being – and represent risks for those involved comparable to 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 thus prefer other options. A window frame may be exchanged for fish, or a hair-cut may be exchanged for a small stack (*pedaço*) of cassava. Artisans requesting money, such as one of the focus families in this study-series, often find that the price people are willing to pay for example for a door to the house is very low and they frequently end up as long-standing out-standing 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 staying at these sales-points.

Also, people tend to use implements that have 'always' been 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 rolls or bread are very rudimentary, as are mechanisms to transport water to vegetable gardens (as argued in last year's Lago report this is a promising area for improved production and well-being). For many types of utensils and investments at this level, there are alternatives in use in other countries in the region that do not seem to have made their way to Mozambique.

Also 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).

Looking at total incomes for households outside agriculture and fisheries as this was presented in the Baseline Survey done for the Reality Checks in 2011 (Table 9), we see that the large majority of households either has no income at all or less than 500 Mt per month (approximately 100 Mt per family member). Female-headed households have considerably lower income than male headed households. This type of income makes it very difficult for the majority of households to invest in improving their lives without some kind of external support.

Table 9: *Monthly Cash Income from Non-Agricultural Activities per Household by Sex of Household Head*

Income (Mt)	MHH	FHH	Total
No income	25.2	53.8	28.3
Income	78.4	46.2	71.7
< 250	6.5	23.1	8.3
251-500	5.6	23.1	7.5
501-1000	8.4	0	7.5
751-1000	12.1	0	10.8
1001-1500	5.6	0	5.0
1501-2500	10.3	0	9.2
2501-5000	9.3	0	8.3
>5.000	16.8	0	15.0
Total	100	100	100

Sources: *The Reality Check Baseline Survey 2011*

4.2 Family and Household Dynamics

Moving on to changes in poverty and well-being among the focus households, we showed in the 1st Reality Check that people in Meluluca have clear perceptions about there being different levels of poverty (*umphawi*) and well-being (*olemela*). Their definitions tend to take two issues into account: The level of material poverty and social relationships – or the extent to which a household or an

individual is involved in social networks or socially isolated. More concretely, the Wealth Ranking exercise revealed that people in Meluluca distinguish between four levels of poverty and three levels of well-being in their own vernacular (Table 10, see also ORGUT 2011f).

Table 10: *Levels and Characteristics of Poverty and Well-Being*

The Poor	
Osowedwa	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.
Chilekwa	Men and women who are lazy (<i>preguiçosos</i>), and who do not contribute anything to the community.
Masikini	Men and women with physical or mental deficiencies.
Okolamba	Older men and women who do not have support from their family because no one is close to help.
The Better-Off	
Odjifunila	People who manage well (<i>desenrascar</i>) in their daily life, and who do not depend on others.
Opata	People who are in a position to give informal employment (<i>biscatos</i>) to other people in agriculture, fisheries and construction.
Olemela	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.

Source: 1st Reality Check Lago (ORGUT 2011c)

To systematically pursue the socio-economic and cultural implications of being part of these categories, we have identified seven individual households that belong to each one of them. These represent a ‘panel of households’ (see ORGUT 2011f) that we follow closely throughout the Reality Checks. Below we present the households as we found them in 2011, sum up changes recorded in 2011, 2012 and 2013, and present their situation as of June 2014.

Family 1 (Osowedwa I). In 2011 the household lived in Milombe, in a small house with only one room. The couple had six children from 2 months to 16 years of age. They had two *machambas* in the rainfed area that barely produced enough for consumption. In addition, the husband made and repaired agricultural tools and doors – for which there were limited requests and which paid poorly. The children only went to school “sometimes”, with the exception of the oldest boy who received support to start 8th Grade in Metangula. The husband claimed his family has always been poor, and he had no relatives left. The one person they relied on in times of crisis was the wife’s uncle, who lived close by.

Developments 2011-2012. The household had not seen any changes in its composition, and still depended on the sale of bamboo doors and repairs of agricultural tools. However, the husband had also started to learn to make canoes for fishing. The wife produced cassava and maize. The main changes in the family situation were an increase in the price of the doors produced by the husband, and that the oldest child had to leave his studies because the family could no longer pay for his accommodation. The family claimed that “up till now there has been no reason for complaints [about our relations with the State] except that there are no medicines at the Health Post”.

Developments 2012-2013. The household continued to work hard, even though the head complained that his oldest son did not contribute as he should despite having been given “part of my *machambas*”. He also had to give up his plans of making canoes, as the ‘mestre’ stopped working. The head continued to produce agricultural tools, window frames and doors, but had to reduce the price as not enough people bought them. He had extended his range of products by producing bamboo frames people use to avoid that soil fell into latrines. With his wife, Osowedwa I continued to work hard on his *machambas* – albeit without producing enough for sale.

Developments 2013-2014. Also the past year, the household has continued to work hard despite many odds against it. The household head with 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). However, low prices make it nearly impossible to save. The oldest son has not gone back to school, and is now determined to marry. The second oldest son, who his parents insisted should study, has refused because of bullying at school. The head's problems with hearing and respiration continue, and he recently paid a *curandeiro* 80 Mt for treatment (and 50 more if it gets well).

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 who lived permanently with her. Her oldest daughter was 15, had a child and had just moved in with a man in the neighbourhood. The house had four rooms and a fenced back-yard. However, it belonged to a younger brother who just moved to Metangula, and Usuwedwa'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 shack.

Developments 2011-2012. The household had seen a change in its composition in that the niece left the household and the brother came back from Metangula with his wife and three children. The *Usuwedwa* still depended on his support. The household head's small *machamba* did not yield anything, and she was frequently ill. Usuwedwa had to move out of her brother's house when he returned, and back into the small house in the garden – where she rented out one of the two rooms. She also stopped selling *bolinhos* because the price of wheat went up, and the chickens she used to sell died.

Developments 2012-2013. The situation for Osowedwa II had deteriorated. Her brother had left the village again and the ceiling of his house has fallen down, compelling her to stay in the small house in the garden. Her married daughter was in a difficult situation and could not continue to support her mother. And Osowedwa II's health situation had become worse. She had managed to produce a little mandioca, but not enough for her small family ("We have not eaten anything today"). Even the small income from renting out a room to fishermen was not coming in any more, as the fishing was so poor. She totally depended on support from neighbours.

Developments 2013-2014. The past year has been dominated by the household head's health situation. She has been very ill, and with the help of her brother she went to Malawi where they discovered a tumour (*mioma*). The brother helped her go a second time for an operation (at a total cost of 1400 Mt for transport and alimentation), only to be told that the hospital was full. Due to her health, she has been unable to work on her small *machamba*. Also, she was not able to rent out the room to fishermen as fishing was so poor. 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.

Developments 2011-2012. The composition of the household had not changed, but the daughter of the household head was in the beginning of her fourth pregnancy. Moreover, a grand-child had given some support as he saw his grandmother's situation deteriorate. The household did cultivate, but expected low yields as they were 'only women'. The main changes were the construction of a small house for the household head done by another grandchild as the old house had fallen down. Even though the household is very poor, they still did not get support from the community that seems to regard them as 'outcasts'

Developments 2012-2013. We met the daughter of the household head, as the latter has left after a row. The interviewee had seen the main change, in that her brother had helped her build a small new house – making the compound consist of three small dwelling units "but still without a latrine".

The relation with neighbours had apparently improved, but the household did not get much involved. Their small *machamba* had produce a little mandioca, maize, beans and sweet potatoes. However, they still depended on working in the fields of others, for which they received small basket (*cesto*) of mandioca per day of work. They did get a little help from a son of the household head who is a fisherman, but basically continued to struggle as a relatively isolated household of women.

Developments 2013-2014. The household has grown with one more baby, implying six people to feed. They still have very little, but managed to produce a little cassava on a *machamba* they borrowed. However, the donor has taken the field back, and they are not sure what to do next year. They will probably have to return to piecemeal work (*ganho ganho*), which is intermittent and pays poorly. The 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 at 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. They claim they still do not get any support from family members and neighbours.

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. She moved closer to her oldest brother’s oldest son – who she realised was the only one who could help her as her own children “are all poor”. Her main source of income was a few chickens, and she made mats (*esteiras*) when she could get hold of the material. Her neighbours, she said, could only afford to give “moral support”.

Developments 2011-2012. There were no changes in the family-structure. The main source of income was the production and sale of reed mats, as the chickens had died. The small household had received a little support from the oldest children, mainly in the form of food. The main change from the previous year was that her handicapped son was able to walk and move around alone, after treatment by a *curandeiro*. The family did not get any material support neither from the State nor from the community.

Developments 2012-2013. The main change in the situation of this household was that their precarious dwelling fell down, and the household head has been offered an alternative house by an older man for which she did not have to pay anything. Otherwise her life continued to be influenced by her handicapped son. Now being able to walk he often left on his own, and was frequently beaten. She had to abandon her activities of making reed mats because straws were difficult to get hold of, and her chickens had died. Her three other children had stopped supporting her because they were “not very well married”, and she basically depended on hand-outs from neighbours.

Developments 2013-2014. The household head and her multi-handicapped son continues to live in the house lent to them by an older man. She is still constrained by not being able to leave her son alone (he then takes off to the market where it is beaten), but manages to go and collect firewood for sale in the middle of the night when the son sleeps. She has also started to carry water for neighbours, for which he may earn up to 5 Mt per day. 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 a chicken. She gets ‘moral support’ from neighbours, and this year she also received a little help from one of her older children who reconstructed a toilet that had collapsed.

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. Their field was far away, and as they were old they did not have the strength to work much. In addition to themselves, 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. They sometimes received support from the wife’s oldest brother’s oldest son in Metangula, who once supplied fishing net to a fisherman on the condition that he gave fish to Okalamba.

Developments 2011-2012. Arriving at the dwelling of this household in 2012, we were told that they had not been present for a couple of weeks and would not return for another two-three weeks. The reason was that they had managed to open another agricultural field relatively far away with the help of a relative, and had decided to stay at the field and protect crops from monkeys and other 'intruders'. This way, the household had apparently seen an improvement in their situation.

Developments 2012-2013. The old lady in this household turned out to be the first wife of a polygamous man who only stayed with here in between. Three grandchildren had moved permanently in with her, including a young girl who was pregnant. The new *machamba* they had opened the previous year turned out not to yield any produce and has been abandoned, and they remained with one rainfed ("sometimes with good results") and a small field close to the Meluluca River originally owned by her mother. In a poor year like 2012 they depended on doing *ganho-ganho* for others. Still Okalamba was determined to work hard for her grandchildren – referring to her earlier experience as member of OMM.

Developments 2013-2014. The household head continues to live with three grandchildren (two boys and one girl). The girl lost the child she was pregnant with last year, but had another one that the father refuses to accept. None of the children study, even though the youngest wanted to but had to stop because of poor health. Also 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 is 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, lived in Nchepa/Ngala, and had two wives and a total of 15 children. With his first wife he lived in a compound with two dwellings and an additional one under construction. His second wife had a similar living arrangement. 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 in 2008 when he received funding from the District Development Fund. In 2010 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.

Developments 2011-2012. During the period in question a child of the second wife died. The main source of income for the family was still commercialization of dried fish, which had increased from 50 to 60 buckets per month. Illness of the second wife compelled the household head to stay with her at the hospital in Malawi for close to four months. This created difficulties for the business in that period of time, but the household head worked hard to re-establish his fish-sales. His main relationship with the Mozambican State was through the school system, and he saw no reasons for complaints.

Developments 2012-2013. The size of the household had returned to 'normal', as one new child had been born after the one who died the previous year. The family had three *machambas*: one close to their dwelling where they cultivated cassava, one in the highland area where they grew sorghum and sweet potatoes, sesame and fine maize (*milho fino*), and one in the baixa area where they grew rice. They usually employed three or four people working for them against pay in cash or kind. They sold their surplus in Metangula, where prices were twice as high as in Meluluca. The household head's involvement in buying, drying and selling fish in Metangula and Lichinga had seen a temporary halt as most of his money had to be spent on the illness of his second wife and the education of his children. An important basis for his success, Odjifunila claimed, is that he carries out several activities at the same time.

Developments 2013-2014. Also this household had health problems in the past year (malaria, migraine), 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*. This is nevertheless less than earlier years, mainly because fisheries was poor which made it difficult to pay labour (*ganho-ganho*) in his fields. The agricultural association in which the household head is a member had a crisis because the seeds were eaten by birds. Both his wives are actively involved in agricultural production. 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.

Developments 2011-2012. During the year in question the mother of the household head died. In addition, his oldest child had turned ill and had been taken to Malawi for treatment. Among other changes: the construction of a wall around the dwellings of all four wives; acquisition of a larger variety of products in their store (spare parts for motorcycles and cars and paint among others); an increase in the quantity of fish; and overall improvements in the living conditions of the family. However, the family did not yet buy the vehicle for transportation they had planned to (“Not because we cannot not afford it, but because we have not had the time”).

Developments 2012-2013. The household continued to do well – except for the oldest child who had become sick again. 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 he had opened a new shop (barraca) in Metangula. The household also had four machambas in a wetland area primarily with maize, cassava and rice, managed by each of the four wives (“My wives know more about the machambas, I am a *comerciante*”).

Developments 2013-2014. The ‘opata’ household has had another good year. The number of children has grown to 22, and the head has married to fifth wife. His oldest daughter who has been sick for a couple of years is now well, and has even started to do negócios. The head and his wives continue to combine agriculture (primarily for consumption), cattle farming, shops in Meluluca and Metangula and fisheries. With the downturn in fisheries the past year he has sold one of his six boats (with motor and nets) in order to invest in a new *barraca*. He still employs 24 fishermen (*marinheiros*). 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.

4.3 Social Mobility

In this series of Reality Checks 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 available opportunities); 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*).

In our analysis above, we have shown how many people in Meluluca have managed to improve their conditions in terms of material well-being. The increasing movement of people and capital following from the construction of the new road in 2008 and a more proactive role by the State through the supply of credit in the form of the 7 million Mt scheme have opened up opportunities particularly in fisheries and commerce. The two sectors are characterised by relatively large requirements in terms of initial investments (boat, motor and fishing nets for the former and adequate premises and stock of goods for the latter), but also by relatively big and quick returns for those who manage well. In line with this we have seen that the most successful entrepreneurs – in the sense of accumulation of capital and income and the ability to form large families and extensive social networks – are people who have either managed to build themselves up little by little or (more rarely) who have managed to make constructive use of loans through the 7 million Mt scheme.

People who neither have sufficient means nor relevant relations with family, friends or funding institutions who can support tend to depend on agriculture, where options for producing a surplus and the market for the products is much less developed. We have emphasised how wetlands or *baixas* used to produce staple crops as well as vegetables represent the best potential in the agricultural sector, but this requires initial investments in the form of equipment for irrigation (such as water pumps) that most people cannot afford. Alternative sources of employment and income, such as small-scale artisanal production of simple utensils for agriculture, housing and domestic needs, still have a very limited market and hence do not represent a basis for social mobility.

Our analysis has also revealed that the options for social mobility are highly gendered. There are strong socio-cultural perceptions concerning what type of income earning activities that are suited for men and women respectively, and we have seen that these are largely internalised by young people living in Meluluca. For women the main avenue for social mobility is still seen to be marriage and improved options particularly in agriculture. Young men on their side do see a larger variety of options (including becoming entrepreneurs), but are restrained by limited access to capital and a limited market for new and innovative economic activities in a place like Meluluca. In fact, for young people it currently seems necessary to move out of their local community to have sufficient market for entrepreneurial activities outside fisheries and commerce – that require initial investments most young people cannot afford.

Looking at voice and power in relation to institutions of the state as an aspect of poverty and social mobility, our analysis has shown positive developments. Due to improved relations with state institutions following from the arrival of the new head of the Meluluca Administrative Post, people have a stronger say and more impact on the quality and relevance of state institutions at this level. The perhaps best example is the great improvement in health services in Meluluca, following from the criticisms by the local population and the ensuing actions by the *Chefe do Posto* that led to the replacement of staff, better equipment and better access to medicines. The improved conditions in education, mainly in the form of more schools and electrification, are another example of enhanced voice and influence of the local population. The two highest level traditional leaders in Meluluca, both women and *rainhas*, have also played an instrumental role in giving popular voice.

With an improved economic situation for many households, their vulnerability to external shocks has also been reduced. We have shown how economic position and social relationships are closely interlinked: Without social relationships, usually with own family, it is very difficult to make the initial investments necessary for social mobility. At the same time, an improved economic situation also tends to expand social networks in the form of wives and extended families or money-based social relations. At the same time, however, the dearth of public social safety nets such as social security and pension schemes makes even the best off households in Meluluca vulnerable. The pressure from family and other close relations for sharing is near constant, and being considered to 'misbehave' by the local community may set in motion processes of witchcraft or other social control mechanisms that can be devastating for the better off. One positive development in Meluluca the past year has been the – rightly long overdue – introduction of support from the National Institute for Social Action (INAS) to some of the most vulnerable households.

Having said all this, the developments among our focus households show how social mobility is nearly impossible among the very poorest in Meluluca. They simply do not have the material resources and social relations necessary to get beyond where they are: A daily struggle to make ends meet, and with no options for savings or longer term strategies for social mobility. Even though there are examples of women who manage to improve their situation, most poor women struggle with the double disadvantage of being poor and being constrained by sociocultural rules and expectations. The only women entrepreneurs fulfilling our definition we have met live in Metangula, which is an urban area where traditional role expectations are less prominent (or at least more difficult to control by men).

The extent to which the dynamics and processes described are reflected in tangible, quantitative measurements of poverty and well-being will be the topic of the Reality Check for 2015, when the Baseline Survey carried out in 2011 will be repeated.

5. CONCLUSIONS AND LESSONS LEARNT

5.1 Main Changes in Poverty and Well-Being

- Overall data from the Lago District Administration reveal a positive trend in public investments in infrastructure; a stable situation for agricultural production (mainly for subsistence); signs of recuperation in fisheries after a poor 2012/2013 season; and continued limited private sector investments and formal employment creation outside the public sector.
- The past year has continued to see positive economic developments in the Meluluca Administrative Post, as evidenced by an increasing number of economic enterprises primarily in fishing and commerce and hectic activities in the building and improvements of dwellings.
- At the same time the Administrative Post has continued to benefit from the proactive approach of the new *Chefe do Posto* – instigating a number of activities related to improved physical (roads, bridges, solar power etc.) as well as social (education, health etc.) infrastructure.
- Economic activities are still dominated by agriculture (mainly for subsistence) and fisheries (with boat-owners or *patrões* being in the best position to accumulate money) – even though the latter sector seems to experience increasing fluctuations in the availability of fish.
- Alternative sources of employment and income are dominated by commercial outlets (*barracas and bancas*) selling commodities mainly imported from neighbouring countries. Artisanal and other locally based productive activities are limited in number and scale, and have a restricted market, poor returns and few options for growth.
- In terms of social developments, the pattern of improved standards of living for the better-off and transitional poor, with the very poor being increasingly left behind and marginalised, continues. For the first time, however, some of the poorest households have been enrolled in the national social security system (INAS).
- Many of the most destitute are members of single headed households and women, and there are very few examples of single women having experienced upward social mobility. Those who have are often wives of better off polygamous men, who see the value of their wives having their own sources of income.

5.2 Challenges for Entrepreneurship

- Formally the District Services of Economic Activities (SDAE) can issue all types of licenses under a simplified regime - but the competence and knowledge of this is limited both in the institution itself and among economic agents in the District.
- The relation between state institutions and economic agents vary, from entrepreneurs who see licensing as an advantage as it opens up for business relations with local government to enterprises that try to avoid licensing and taxation with all possible means – arguing that they get nothing in return.
- There is a limited range of alternative types of entrepreneurship/businesses in the District, which is related to competition from cheap manufactured goods from Malawi and Tanzania but also reflects limited experience with/knowledge of alternatives.
- Rather than concentrate and grow in one sector (economics of scale), entrepreneurs tend to diversify their business into 2-3 different areas (fisheries, commerce, transport). Diversification is most limited in the production/manufacturing of goods and commodities.
- There are few examples of cooperation or clustering of enterprises where size would be an advantage, partly due to lack of knowledge about the potential advantages of cooperation but also due to lack of trust outside family networks and fear of being subjected to witchcraft accusations.
- The most successful entrepreneurs tend to be from outside the community where they operate, testifying to the problems for local entrepreneurs of avoiding socio-cultural pressure for sharing from relatives and other close social relations.
- The main forms of entrepreneurship in Meluluca Administrative Post are found in the fishery sector and in commerce (*barracas*) – requiring relatively large initial investments but also involving relatively quick returns.

- Most entrepreneurs in Meluluca have developed their businesses in a slow, cumulative fashion using own savings or help from family. Access to credit is limited by the dearth of bank services in the District, and the poor functioning of the 7 million Mt scheme.
- The most successful local entrepreneurs manage to combine a diversification of their business interests (based both inside and outside the local community) with continued close relations with family, neighbours and friends in their village.

5.3 Policy Implications and Development Interventions

- The District Administration and SDAE do not see the private sector as part of their responsibility - with the exception of the 7 million Mt scheme which is currently losing impact due to poor performances. Policy dialogues should emphasise the importance of local government supporting an enabling environment for business development
- While formally the District-based system of licensing and taxation of small-scale businesses/entrepreneurs has been simplified, the relevant institutions either do not know or do not have the capacity to relate to this. Development interventions should emphasise further awareness, training and implementation of the system.
- One reason for the limited range of alternative types of investments in businesses is lack of experience/exposure to spot and capitalise on opportunities. One possible intervention is to support a local 'Idea Banks' (*Gabinete de Atendimento*), where existing or potential entrepreneurs can seek advice and possibly get connected to other entrepreneurs in similar positions.
- Attracting new types of entrepreneurs/businesses from outside of the District by facilitating investments would diversify the local economy, and serve as examples for local entrepreneurs. In particular, niches should be sought that exploit potentials in agriculture and Lake Niassa that represents the District's main comparative advantages.
- Local Government represents the main purchasing power in the District of Lago. Efforts should be made to increase local purchases both for government related activities and events and by local government officials – which will require District-based banking services making it possible for people to take out their salaries and buy locally.
- The large majority of economically active people in Lago/Meluluca do not have the resources or capacity to become entrepreneurs and establish businesses. For these, access to credit for small investments in agriculture, fisheries, artisanal production or other small-scale activities may be the start of micro-businesses – but needs to be accompanied by relevant training and a strict repayment regime.

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