

NEIGHBOURS IN DEVELOPMENT:
**Livelihood Interactions between Northern
Mozambique and Southern Malawi**

**A report for DFID by
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CONTENTS

GLOSSARY	3
ACKNOWLEDGEMENTS	4
RECOMMENDATIONS	12
1. INTRODUCTION	15
1.1 OVERALL SITUATION	15
1.2 BACKGROUND	15
1.3 METHODOLOGY.....	16
2. CHARACTERISTICS OF CASE STUDY AREAS.....	17
2.1 MALAWI BORDER AREAS.....	17
2.2 MOZAMBIQUE BORDER AREAS.....	17
3. LIVELIHOOD SECURITY FRAMEWORK.....	21
3.1 BACKGROUND	21
3.2 SUSTAINABLE LIVELIHOOD FRAMEWORK FOR THE RURAL POOR IN SOUTHERN MALAWI	22
3.3 SUSTAINABLE LIVELIHOOD FRAMEWORK FOR THE RURAL POOR IN NORTHERN MOZAMBIQUE	24
4. CROSS-BORDER TRADE AND LIVELIHOOD SECURITY	27
4.1 CHARACTERISTICS OF CROSS-BORDER TRADE.....	27
4.2 MAIZE AND OTHER FARM PRODUCE TRADE	29
4.3 WINNERS AND LOSERS FROM CROSS-BORDER MAIZE TRADE	31
4.4 FACTORS THAT HELP OR HINDER CROSS-BORDER TRADE.....	33
4.5 VOLATILITY AND RISK.....	35
4.6 ATTITUDES, POLICIES AND PRACTICES OF MOZAMBIKAN LOCAL GOVERNMENT OFFICIALS	43
4.7 IMPACT OF STARTER PACKS ON CROSS-BORDER MARKETING	48
4.8 MALAWI STRATEGIC GRAIN RESERVE	51
4.9 TRADE BALANCE, CURRENCY AND THE CROSS-BORDER CONSUMER GOODS TRADE	52
4.10 PRIORITIZING MARKETING INVESTMENT OPTIONS	55
5. CROSS-BORDER LABOUR EXCHANGE	60
5.1 INTRODUCTION	60
5.2 CURRENT DYNAMICS OF CROSS-BORDER GANYU	60
5.3 CROSS-BORDER WAGE LABOUR	61
5.4 CROSS-BORDER PORTERAGE	62
5.5 WINNERS AND LOSERS FROM CROSS-BORDER WORK	62
6. CROSS BORDER CULTIVATION, MARRIAGE AND MIGRATION.....	64
6.1 CROSS-BORDER CULTIVATION	64
6.2 CROSS-BORDER MARRIAGE	64
6.3 PERMANENT MIGRATION.....	65
6.4 WINNERS AND LOSERS FROM CROSS-BORDER CULTIVATION AND MIGRATION.....	66

7. CROSS-BORDER SERVICE USE, NATURAL RESOURCE USE AND INFORMATION EXCHANGE.....67

7.1 SERVICE USE	67
7.2 CROSS-BORDER NATURAL RESOURCE USE.....	68
7.3 CROSS-BORDER INFORMATION EXCHANGE.....	69
7.4 WINNERS AND LOSERS	73

ANNEX 1 – Machinga – Southern Niassa Case Studies

ANNEX 2 – Mulanje – Southern Milange Case Studies

ANNEX 3 – Mwanza – Tete Case Studies

ANNEX 4 – Phalombe-Northern Milange Case studies

ANNEX 5 – Literature review

ANNEX 6 – Border timeline

ANNEX 7 – Data for graphs and gross margins

ANNEX 8 – Itinerary and people met

ANNEX 9 – Case Study Methodology

ANNEX 10 – Map of Case Study Areas

Glossary

ADMARC	Agricultural Marketing Parastatal of Malawi
AMODER	NGO suroorting Mozambican traders with credit
APIP	Agricultural Inputs loan programme in Malawi
CCM	Christian Council of Mozambique
CLUSA	Cooperative League of the United States of America
COMESA	Common Market of East and Southern Africa
CSC	Christian Service Committee (Malawian National NGO)
DDARD	District Office of Agriculture and Rural Development (Mozambique)
EU	European Union
FARE	Mozambican Economic Rehabilitation Fund, which provides loans
Ganyu	Casual agricultural labouring work
GTZ	German Aid Agency
ha	Hectare
ICM	Mozambique Cereals Institute
IGA	Income Generating Activity
kg	Kilogram
MASAF	Malawi Social Action Fund
MK	Malawi Kwacha
MOLISV	An International NGO working in Mandimba and Machinga
Mt	Metical
MT	Metric Tonne
NASFAM	National Small Farmers Association of Malawi
NFRA	National Food Reserve Agency (of Malawi)

NGO	Non-Government Organisation
RAB	Malawian food processing company
RESAL	Resau Europeen de Securite Alimentaire (European Food security Network)
SADC	Southern Africa Development Conference
SGR	Strategic Grain Reserve
SP	Starter Pack – fertilizer and seed distributed to all Malawi smallholders
TIP	Targeted Input Programme – fertilizer and seed distributed to Malawian smallholders
UCASN	Southern Niassa Farmers Association (Uniao dos Camponeses e Associacoes do Sul do Niassa)
USAID	United States Agency for International Development
V&M	South African based grain company
WFP	World Food Programme

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EXECUTIVE SUMMARY

Southern Malawi is one of the most highly populated areas in southern Africa, with high pressure on land and natural resources. This lies alongside Northern Mozambique with one of the lowest population densities, relatively abundant land and natural resources, but with poor infrastructure, services and market access.

Understanding of the potential synergy between these two areas has grown over recent years - highlighted by a number of reports and policy statements. Despite this, there have been a number of instances in which policy implementation in practice has failed to make most use of this synergy, or in which development programmes in one country have been designed without taking sufficient account of the potential impact in the other.

This report was commissioned by the Department for International Development (DFID) of the British Government to look at livelihood interactions between Northern Mozambique and Southern Malawi. Its aim is to investigate developments in cross-border livelihood interactions that have occurred in recent years, and to make recommendations for the future.

The report was compiled using information from four case-study areas, which were investigated on either side of the border, using semi-structured interviews in focus groups and among key informants. A review of the recent literature, interviews at national level and analysis of statistical information available from various sources have complemented the case studies.

Sustainable Livelihoods in Southern Malawi

Understanding of the livelihood dynamics of the rural poor in southern Malawi has developed considerably in recent years, key points are:

- The rural poor are net buyers of food, particularly maize - they therefore benefit from low maize prices.
- Rural households earn money from cash crops, agricultural piecework (*ganyu*), micro-enterprises and transfers, which they then use to buy maize.
- The high price of inputs make investing in the intensified production of maize for sale unprofitable for most poor households, however they do invest in the production of maize for home consumption, in order to make them less dependent on the vagaries of the maize market.
- The livelihood security breathing space provided by universal 'starter packs' of free inputs seems to be over - and the future is insecure. A combination of 'best bet' technologies may provide future security. A number of 'cross-border' related issues could effect the eventual outcome:
 - (a) Secure availability of reasonably priced maize;
 - (b) More efficient transport;
 - (c) Competition or collaboration over market opportunities;
 - (d) Opportunities for cross border *ganyu*, work or migration to Mozambique.

Sustainable Livelihoods in Northern Mozambique

Although knowledge about rural households in Northern Mozambique is growing, in depth and area specific understanding of rural livelihood dynamics, along with the priorities and constraints for different household types, is still weak. A number of key issues are:

- Natural capital is generally high with plentiful fertile land still available in the interior, however natural resource use is intensifying in some immediate border areas and on the

outskirts of towns – deforestation and reduction in soil fertility is likely to be a growing trend in these areas.

- Household labour power, or the ability to hire *ganyu* labour, is the key determinant of household production capacity.
- Marketing is a key constraint to building financial and physical capital - markets are unreliable, with considerable variation in the price of key products such as maize. The Malawi market is extremely important for many farmers, but access to it has been constrained by restrictions on the activities of Malawian traders, indirect barriers to trade and programmes such as the 'starter packs' in Malawi.

Cross-border trade

Both Malawian and Mozambican border communities ranked trade as the most beneficial cross-border interaction. Trade is varied and moves in different directions according to local circumstance and the time of year – however the main movements relevant to rural livelihoods is of farm produce from Mozambique to Malawi, and consumer goods from Malawi to Mozambique.

Products cross the border formally through border posts or cross informally, either because there is no convenient border post or to avoid customs duties (smuggling). It is difficult to monitor the quantities traded year by year because of the relatively high proportion which is informal and which does not enter the statistics (perhaps 50%). There is anecdotal evidence that smuggling may be reducing due to greater customs capacity on the Mozambican side.

Maize is the most important farm product traded and a stakeholder analysis shows that the maize trade from Northern Mozambique to Southern Malawi benefits the vast majority of the population in both areas, and in particular the poorer stakeholders.

Mozambique and Malawi are both signatories of the SADC free trade protocol, which is just starting its 8-12 year phase-in period. Malawi is a member of COMESA, but Mozambique withdrew in 1998. The withdrawal from COMESA is likely to have a greater negative impact on formal cross-border trade in the short and medium term than the initiation of the SADC trade protocol - consumer goods, beans, pigeon-peas and cassava all now have duty, which is a disincentive to formal cross border trade and an incentive to smuggle.

Price volatility within the season is high, in some years agricultural products more than double in price in a few months, and in other years do not change at all. Poor households on both sides of the border suffer from within-season price rises – tending to sell when prices are low and often buying when prices are high. In Mozambique the weakness of the commercial network mean that farmers tend to sell everything to the first buyer – rather than staggering sales, which would tend to stabilize the price through the season, and provide higher margins for their produce.

Between season price volatility is also high – varying by up to 300% between seasons. The quantity traded in different years has also been very variable, with Mozambican farmers being left with unsold produce in 1999 and 2000 but rapidly selling all their produce in 2001. Although this volatility is partly due to the weather, actions taken by officials on either side of the border and policy uncertainties have increased risk for traders and farmers, and have meant that traders tend to act in an opportunistic fashion.

In order to reduce volatility and livelihood insecurity:

- Northern Mozambique traders need to develop additional markets to Southern Malawi.

- Northern Mozambique farmers need to continue to diversify away from excessive reliance on maize.
- The Malawi strategic grain reserve needs to be managed with greater transparency and skill.
- More and better grain storage is needed at all levels in Mozambique – from household to national.
- Malawian rural households need to continue to diversify their income sources.

Although official Mozambique Government policy is in favour of Mozambican smallholders being free to sell their farm produce with minimum barriers, at a District level the authorities have a much more ambivalent attitude, and tend to create barriers to cross-border trade:

- Local Mozambican politicians call for (and sometimes unofficially impose) export restrictions in years of shortage, when prices tend to rise excessively. These restrictions have tended to be resisted at the national (and sometimes provincial) level. Officials claim that high prices offered by Malawian traders encourage ‘overselling’ by Mozambican smallholders with consequent hunger later in the year. There is limited evidence for this, and none to suggest that reducing the price paid to farmers would be to their overall benefit. Although trade restrictions may appear to benefit the food deficit poor in the short term, they are likely to be detrimental to the majority of the poor in the longer term.
- Mozambican traders have successfully persuaded many local authorities to ‘unofficially’ restrict Malawian traders from buying direct from Mozambican farmers – claiming the competition is ‘unfair’. These restrictions have reduced the price obtained by Mozambican farmers – with a detrimental impact on the poor. Mozambican traders do need a variety of capacity building support, including better access to credit. However preventing competition from Malawian traders tends to result in oligopolies which ‘fix’ low prices against the interests of Mozambican farmers – and the reduced prices seem unlikely to be passed on to the Malawian consumer – therefore the majority of poor stakeholders suffer.

The free seed and fertilizer (‘starter packs’) supplied to 2.8 million Malawi smallholders in 1998/99 and 1999/00, combined with the good weather in those years, produced a surplus in Malawi, with a significant detrimental impact on cross-border trade volumes and price for Northern Mozambique. About 60% of the reduced income experienced by farmers was probably due to the starter packs – this resulted in a reduced overall income of at least US \$2.6 million and affected the 600,000 households in Northern Mozambique estimated to be involved in the border maize trade.

Future programmes of free seed and fertilizer in Malawi are likely to be targeted on fewer households, but may provide a larger quantity per household. The overall impact on Southern Malawian production of one scheme being proposed is likely to be about 73,000 MT - about 1/3 as large as the starter packs. This will have a consequently smaller impact on cross-border trade, but will still be significant in some years.

Income from Mozambican agricultural sales determines cash availability for consumer goods purchases, this produces an interdependence between the agricultural produce trade from Mozambique to Malawi and the consumer goods trade in the opposite direction. However this interdependence may be weakening, as there is some anecdotal evidence that the percentage of consumer goods coming from Malawi has reduced due to increased retailing capacity in Mozambique, Mozambique’s withdrawal from COMESA and increased Mozambican customs capacity. It is unclear whether local trade imbalances cause localized currency imbalances.

The Malawi Kwacha is still the main medium of exchange of many border areas within Mozambique. Although there is an agreement between the Malawi and Mozambique central banks to repatriate surplus bank notes at the central level, this is not yet in operation. It is possible that a local imbalance of trade could cause local shortages of either currency – adding to transaction costs for cross-border trade. The October informal exchange rate suggested that, locally, the Metical was valued slightly higher against the Kwacha than the US dollar parity rate – perhaps suggesting a local demand for metical, possibly caused by farmers selling produce in Kwacha but wanting to buy at least part of their consumer goods in Metical.

Vibrant periodic (once or twice weekly) markets exist on both the Mozambican and Malawian side of the border, and these are mainly used for buying consumer goods rather than selling the main agricultural harvest. Many Mozambicans go across the border to attend Malawian markets and the Mozambican authorities seem to be promoting ‘*Feiras*’ on the Mozambican side of the border to prevent this. It is suggested that investment in border ‘*Feiras*’ might be better directed towards market development in the Mozambique interior where market infrastructure is currently weaker and agricultural production potential higher.

Cross-border labour exchange and livelihood security

A stakeholder analysis suggests that reducing the barriers to cross-border ganyu, and labour migration would seem to be beneficial to most parties.

Malawian border dwellers ranked the opportunity to do *ganyu* in Mozambique as their second most important border interaction. *Ganyu* however is a coping strategy that Malawians would prefer to avoid, considering it demeaning and, by reducing the labour time available for their own farms, contributing to a downward spiral of impoverishment. For Malawians, cross-border *ganyu* tends to be less convenient than *ganyu* in Malawi – exposing the worker to harassment from Mozambican authorities, often involving longer journeys and staying away from home with additional consequences for the home farm. This inconvenience is matched however by higher payment rates in Mozambique.

Mozambican smallholders benefit from the availability of Malawian *ganyu* to expand their area of production – however this only makes sense if there is a profitable market for the additional harvest produced.

Mozambicans do *ganyu* in Malawi, this is typically on the estates rather than for Malawian smallholders. Both nationalities also do *ganyu* carrying goods across the border, either to avoid customs duties or the difficulties of bringing Malawian lorries into Mozambique. This is a locally valuable source of income.

Two years of good harvests has reduced the need to do cross-border *ganyu*, and hence payment rates have been high – with poor harvests this year, there are many needing the work and little food in store with which to pay them. Therefore this important coping strategy may be insufficient, with severe consequences for the rural hungry.

In the past, the direction of more permanent labour migration has been from Mozambique to Malawi; however there is now an increasing flow in the opposite direction, with increasing demand for skilled and semi-skilled labour in Mozambique. The SADC protocol on the free movement of people is not yet in operation, and the strict interpretation of Mozambican labour laws can be a barrier to Malawians seeking work in Mozambique.

Risks of HIV transmission are generally increased when people work or travel away from their homes – and this is true of both internal travel and travel across borders. Border barriers that force people to stay away overnight should be avoided. HIV/AIDS is an issue that needs to be addressed through education, peer group pressure and availability of condoms; it could be made worse by restricting cross-border movement – reducing openness and forcing people to stay away from home for longer periods.

Cross-border cultivation, marriage and migration

Households resident in Malawi sometimes have fields that they cultivate in Mozambique, often arranged through Mozambique based relatives, and making use of the greater land availability and soil fertility in Mozambique. The importance of cross-border cultivation varies enormously from area to area and tends to be a phenomenon mainly associated with communities close to the border. This practice seems set to become a less viable livelihood strategy because of:

- Increasing land pressure on the Mozambican side of the border;
- Payments demanded by Mozambican headmen;
- Reduced tolerance from the Mozambican administration.

Cross-border marriage is very common in some areas, with typically the couple settling in Mozambique because of the availability of land, whether or not the man or woman is originally from Mozambique – the local matrilocal custom is therefore broken. All stakeholders claim to benefit from the arrangement – with synergy achieved by having family members on both sides of the border.

Another type of cross border marriage is for a Malawian man to marry a second wife in Mozambique – and therefore maintain a foot in both camps and balancing the complementary opportunities afforded by Mozambique and Malawi.

Integrally linked to cross-border marriage is more permanent migration. This was considered small but significant in a report in 1998¹ and expected to rise – this has however not been the case and most Malawian border communities report that migration rates have fallen. The reasons for this seem to be:

- Malawian migrants are vulnerable to harassment by local power structures;
- Malawians still have doubts about the permanency of peace in Mozambique;
- Lack of land near to the border mean migration has to be further into the interior, meaning migrants are further cut off from security and services in Malawi.
- It is possible that the relatively good harvest in 1999 and 2000 reduced the pressure in Malawi for migration, and that the poor harvest in 2001 may increase the pressure once again.

Mozambican district authorities seem to welcome large-scale investors from Malawi, but not smallholders – who they will expel. However Mozambican communities in the interior are positive about in-migration, considering that there is lots of land that needs cultivating.

The analysis showed that cross-border cultivation and migration either has a positive or a mixed impact on the different stakeholders.

¹ Whiteside 1998: When the whole is more than the sum of the parts – the effect of cross-border interactions on livelihood security in southern Malawi and northern Mozambique. A report for Oxfam GB.

Cross-border service use

There is considerable cross-border service use, mainly by Mozambicans going to Malawi, however it does depend on the relative distance to and quality of local services, and in a development from 1998, some Malawians were found to use services in Mozambique. A motivating factor for Mozambicans is that services that have to be paid for in Mozambique are often free in Malawi.

There is a remarkable degree of tolerance of cross-border service use – particularly by Malawian communities and Malawian service providers – as use by Mozambicans does have implications for Malawians for waiting times and availability of resources in already overstretched schools and health centers. People explained their acceptance of the situation by referring to humanitarian need and the fact that the Mozambicans are their relatives.

There are an impressive number of effective local cross-border arrangements, with examples of:

- Mozambican communities contributing labour to work on school building in Malawi;
- Referral agreements between Mozambican and Malawian health services;
- Headmen and police forces working together to stamp-out cross-border crime.

However it should also be noted that there are many examples where this sort of cooperation is not taking place or could be improved.

Cross-border natural resource use

There is a flow of natural resources from Mozambique to Malawi, the greatest is perhaps the least visible – soil fertility, used in growing agricultural crops, which are then sold to Malawi. Of the other resources, timber, charcoal and firewood are probably the most significant. Although the collection of Mozambican natural resources for use in Malawi may be causing depletion near the border, it seems that the activities of the indigenous Mozambican population are likely to be much more significant:

- In areas, where the Mozambican population is relatively high, particularly close to the border, there has been extensive clearing of trees for agriculture, fallow periods are minimal and soil fertility is reported to be falling.
- Further to the interior there is still plenty of uncleared land – however this is subject to considerable human induced change through the large numbers of uncontrolled bush fires – started mainly to hunt small animals.

There is therefore rapid vegetation modification taking place in Mozambique - in contrast in Malawi, population densities have been higher for much longer, much of the environment has already been modified by human activity, but the situation is more stabilized, albeit at a much lower natural resource level - and with much of the remaining natural resources privatised.

Possibly the greatest influence Southern Malawi could have on Northern Mozambique is as a warning about the need for early adoption and a source of information on sustainable livelihood approaches – it takes longer to reinvent the wheel and it is much more difficult to adopt sustainable approaches at a later stage, after the damage is done.

Cross-border learning

At a farmer-to-farmer level, there is evidence of some new agricultural techniques, crop spacing and seed varieties being learnt by Mozambicans from Malawians. There was no evidence of significant information flowing in the opposite direction. Mozambican women learn from attending Malawian clinics about family planning, child nutrition and HIV/AIDS. Many border area Mozambicans listen to Malawian radio, learning information on things like HIV/AIDS.

There have been a number of attempts in the last three years to transfer market information from Malawi to Mozambican farmers and traders – farmers’ associations have achieved some success, but the overall process remains weak. Price information is not regularly exchanged at national level between Mozambique and Malawi, future trend analysis is weak, the RESAL bulletin has been discontinued and the information has been more useful to policy analysts than to farmers or traders. Radio is likely to be the only medium likely to have a significant impact on rural farmers. There are some plans underway for the further development of local radio.

Although Mozambican and Malawian national level agricultural researchers and policy makers tend to meet and exchange information in a variety of regional fora, there is an opportunity for much greater interaction at the sub-national level. At the local level, Mozambican and Malawian farmers are learning from each other – but extension workers are not. Some NGOs working in Mozambique have tapped in to the considerable experience in Malawi on developing sustainable agriculture techniques and community organizing for sustainable livelihoods – but there is scope for much more systematic collaboration.

Harassment

In all the case study areas, and across all types of cross-border interaction, there is consistent evidence of Malawians being harassed when they visit Mozambique – usually by police and border guards, but sometimes by local headmen – and usually with the purpose of extracting corrupt payments. It seems probable that the ambivalent attitude of some Mozambican local government officials to cross border interactions enables this harassment to proceed unchecked. In contrast, harassment of Mozambicans in Malawi was rarely reported.

Cross-border livelihood interactions are interdependent

An important feature of the various cross-border interactions is the dynamic links between them – trade stimulates information flow, people’s decisions on migration and marriage are strongly affected by their contacts and experiences while doing *ganyu*. The consumer goods market is dependant on agricultural commercialization. Social interactions lead to commercial interactions and vice versa. These interactions need to be seen in their entirety - interventions which affect one can have unexpected consequences on others.

Recommendations

Recommendation	Possible DFID role
<p>1. Mozambican District and Provincial level officials and politicians need to have a broader understanding of the potential benefits of cross-border trade and of a more diverse and consistent marketing environment. The key is for officials to engage on a more equal basis with smallholder viewpoints and begin to really understand smallholder livelihoods. They need to explore what is the appropriate supporting role for the state, and the dangers of inappropriate intervention. It is necessary to tackle the myth of 'too high' prices being offered to farmers and of 'overselling'. This is a multi-dimensional process that needs to be actively facilitated.</p>	<p>DFID could support involvement by Government officials in:</p> <ul style="list-style-type: none"> • High quality PRA activities – probably as part of ongoing activities of programme planning, monitoring and evaluation. • Research on rural livelihood typologies, with local level workshops to spread understanding of these. • Workshops to develop a better local understanding of the livelihood impact of different Government policies and activities. <p>All these activities could probably be done in the short term faster and cheaper without the active involvement of variably informed officials with limited commitment to participatory approaches. However building the knowledge base and commitment to participation of officials is probably the only way to sustainably achieve better governance in the longer term.</p> <p>DFID could make this one of the strands of its Zambezia policy, and develop specific objectives and indicators to measure progress and impact.</p>
<p>2. Agricultural market development in Northern Mozambique needs to be addressed strategically, on a District, Provincial and Regional level, recognizing that:</p> <ul style="list-style-type: none"> • priorities for investment need to be set, including whether investment should be directed at the border or the interior; • there are many components which need to be complementary; • different stakeholders have different roles; • cross-border marketing needs to be an integral part of a larger picture. 	<p>There are already a range of organisations involved in supporting farmer organisation, trader capacity building and market infrastructure – however the strategic coordination of these initiatives seems to be weak.</p> <p>DFID could support a process of more integrated planning at District and Provincial level in Zambezia – including ensuring the availability of information and training – including knowledge of rural livelihoods, analysis of key constraints and monitoring of combined impact from different interventions.</p>

Recommendation	Possible DFID role
3. Mozambique should re-evaluate its withdrawal from COMESA in light of its negative impact on cross-border trade with Malawi.	DFID should ensure the contents of this report are made available to decision makers involved in assessing whether Mozambique should remain outside COMESA. DFID could discuss with these decision makers about their further information and support needs.
4. The increasing harassment of rural Malawians, when they visit Mozambique for trade, <i>ganyu</i> or migration, which seems to be condoned by some people in positions of authority in Mozambique, needs to be addressed. Attitudes of the authorities towards cross-border trade, cultivation and migration need sensitive exploration and there is a need for better information dissemination and discussion on the positive and negative impacts of cross-border trade, <i>ganyu</i> and migration.	This is a sensitive area, which may not be appropriate for a bilateral donor to address. However it is probably best tackled by: <ul style="list-style-type: none"> • Provision of accurate information; • Supporting opportunities to discuss and analyse this information (e.g. workshops); • Empowerment of civil society organisations prepared to speak up against harassment.
5. Decisions in Malawi on the future Targeted Inputs Programme (TIP) and APiP need to include analysis of the potential impact on cross-border trade and therefore on Northern Mozambican farmers. Perhaps representatives from Mozambique should be invited to programme design discussions. The impact of any future programme on farmers in Mozambique should be included in the design of monitoring and evaluation.	As a key player in TIP, DFID should encourage the development of best practice. This should include: <ul style="list-style-type: none"> • Ensuring the impact of the programme on all stakeholders is considered – not just the target beneficiaries; • Encouraging involvement of all appropriate stakeholders in decision making; • Ensuring the monitoring and evaluation covers all major areas of impact.
6. The role of the Malawi Strategic Grain Reserve needs to be reviewed and at a minimum decision making by the reserve needs to be improved, more transparent and based on better analysis – this analysis should include an understanding about the potential impact of both buying and selling by the SGR on cross-border trade. Similarly, if donor support is used by ADMARC, then its decision making should include an analysis of cross-border impact.	Unclear what influence DFID has in relation to the SGR or ADMARC. It would be extremely transparent and good practice for there to be Mozambican representation in analysis and decision making that affects Mozambique – possibly DFID could facilitate this.
7. Opportunities for information exchange and learning across the border should be maximized	Although cross-border learning is happening in an ad hoc manner, a specific strategy, with funds attached, could accelerate the process of implementation and learning. DFID could fund a pilot approach in Zambezia.

Recommendation	Possible DFID role
<p>8. Northern Mozambique, particularly near the border, needs to develop community led strategies for sustainable agriculture and management of common property natural resources. Maximum use should be made of the relatively rich experience available close by in Malawi.</p>	<p>As in 7, although cross-border learning is happening in an ad hoc manner, a specific strategy, with funds attached, could accelerate the process of implementation and learning. DFID could fund a pilot approach in Zambezia, which could also involve more coordination between organisations working on sustainable agriculture and environmental management within Mozambique.</p>
<p>9. Opportunities for increased and more permanent dialogue, joint policy formulation and joint planning between the Governments of Mozambique and Malawi and other stakeholders need to be developed. Stakeholders are those working on either side and across the border such as donors, the private sector, NGOs, civil society and farmers' organisations.</p>	<p>This sort of dialogue needs facilitation and financing, which DFID could support, particularly in relation to Zambezia. Care is needed to ensure meetings produce results and are not just opportunities to earn per diems. Clear objectives and a system for monitoring impact are needed.</p>

1. INTRODUCTION

1.1 Overall Situation

Southern Malawi is one of the most highly populated areas in southern Africa with a resulting high pressure on land and natural resources. This lies alongside Northern Mozambique, which has one of the lowest population densities, relatively abundant land and natural resources, but with poor infrastructure, services and market access. The ethnic, language and physical barriers between the two areas are not very significant and the border is due largely to the quirks of colonial history. The border is more significant at a national political level, and particularly to local government officials, than at a local social level.

Understanding of the potential synergy between these two areas has grown in some quarters over recent years and has been highlighted by a number of reports and policy statements². Despite this, there have been a number of instances in which the way policy is implemented in practice, which fail to make use of this synergy, or to take into account the potential impact that programmes in one country can have on the other.

This report was commissioned by the Department for International Development (DFID) of the British Government to look at livelihood interactions between Northern Mozambique and Southern Malawi. Its aim is to investigate developments in cross-border livelihood interactions that have occurred since the earlier report in 1998, and to make recommendations for the future.

1.2 Background

The report in 1998³ identified that:

- **Cross border trade** was vitally important for –
 - (a) Many Mozambican smallholders, as a key market for their crops;
 - (b) Many Malawian natural resource poor and food deficit households;
 - (c) Many Malawian wholesalers, and both Mozambicans and Malawians involved in cross-border trade.
- **Cross border labour exchange** was important in both directions, but increasingly for Malawians relying on the availability of *ganyu* work in Mozambique.
- **Migration** – mainly from Malawi to Mozambique – was small but significant and thought likely to increase.
- **Use of Malawian services**, such as schools, hospitals and grinding mills, by Mozambicans was significant.
- **Opportunity for exchange of development experiences** was underdeveloped.

Changes in the policy and macro-economic climate affecting southern Malawi and Northern Mozambique made it necessary to re-assess the cross-border interactions. Particularly significant developments were thought to be:

- The starter pack programme, which provided a small quantity of free seed and fertilizer to all smallholders in Malawi, and which combined with favourable harvests in 1999 and 2000,

² Whiteside 1998 and also RESAL 2001, Republic of Mozambique 2001, Oxfam 2001, Flash 18, 1999.

³ Whiteside 1998 – When the whole is more than the sum of the parts: the effect of cross-border interactions on livelihood security in Southern Malawi and Northern Mozambique.

turned Malawi from a maize-deficit to a maize-surplus country, with consequent negative impact on smallholder maize producers in Northern Mozambique.

- Crop diversification and the development of producer associations in Northern Mozambique.
- Shifts in cross-border trade regulations.
- Growth in the Mozambican trade network and the improvement in access roads.
- A relatively smooth election and the improvement in services in Mozambique.

1.3 Methodology

This report was compiled using a combination of approaches and methodologies:

- **Literature review** – particularly of publications since 1998 (see annex 5).
- **Case studies** – three were done on either side of the border by the Mozambican and Malawian consultants, Guilherme Chaliane and Donata Saiti (see annexes 1-3). A fourth case study was done by staff of the Women's Border Area Development Programme (see annex 4), but using the same methodology (see annex 9). The case studies involved:
 - (a) focus group interviews, using semi-structured interviews, and an interaction prioritization exercise;
 - (b) key informant interviews;
 - (c) trader interviews.
- **Analysis of statistical data** – comparing a wide range of data on prices, production, exchange rates etc., to provide more quantitative information to complement the qualitative. The usefulness of some of this work was reduced by the unreliability of some of the source data (see Annex 7).
- **Meetings at a national level** – with key informants. A list of the people met is included in Annex 8.

2. CHARACTERISTICS OF CASE STUDY AREAS

2.1 Malawi Border Areas

The four case studies were done in Districts in Southern Region that run alongside the border. The focus group interviews were generally done with communities within about 15 km of the border, where the level of cross-border interaction is high, however interviews at District level tended to give a wider perspective. Details of the case studies are given in Annexes 1-4.

Interactions like cross-border cultivation, use of natural resources from across the border, social interactions, cross-border portage and competition for services with those using them from across the border all tend to be most important in this immediate border area.

An interactions like the maize trade has an impact over a much wider area, with maize from Mozambique being transported throughout southern and central Malawi, and probably preventing prices rising too far even in communities where Mozambican maize itself is not sold. A rough estimate of the population most affected by this maize trade is the whole population of Southern Region and half the population of Central Region – this represents about 70% of the total population of Malawi.

The Malawi case study communities ranked the livelihood benefits they gained from cross-border interactions. There are some differences between the different areas, and there are further differences between individual focus groups (See Annexes), however the primacy given to be able to buy food from Mozambique is very clear. The opportunity to do *ganyu* in Mozambique, to earn money from cross-border petty trading and to cultivate are all also very important across the different areas.

Table 2.1 – Malawi communities ranking of livelihood benefits from interaction with Mozambique

Livelihood benefit	Machinga	Mulanje	Mwanza
1. Buying food in Mozambique	1	1	1
2. Availability of <i>ganyu</i>	2	2	4
3. Trading in Mozambique (e.g. consumer goods)	2	2	5
4. Cultivating in Mozambique	3	4	2
5. Use of facilities (clinics, maize mills)	3	None	2
6. Selling farm produce in Mozambique	5	4	5
7. Use of Mozambican natural resources (timber etc.)	5	4	7
8. Migration to Mozambique	5	4	7
9. Marriages to Mozambicans	5	4	7
10. Animal grazing	5	None	7
11. Technology learnt from Mozambique	None	None	None

2.2 Mozambique Border Areas

In Northern Mozambique interaction with Malawi can be divided into three zones:

- **Intense** – perhaps the first 15 km. Here population density is often higher and in some areas there is little spare land. There may be cross-border cultivation, cross-border use of a

wide variety of natural resources, high usage of services in Malawi, and frequent social interaction, including intermarriage. In these areas cross-border *ganyu* labouring can be done on a daily basis. Consumer goods can be bought directly in Malawi or from local cross-border petty traders, this cross-border trading is perhaps more of a part-time activity, . In some areas alongside transport routes cross-border portering can be common. Agricultural products are bought directly by Malawians or can be sold by the producers in markets inside Malawi. The Malawi Kwacha is the medium of exchange.

- **Intermediate** – perhaps the next 15-150 km. There is still plenty of unused land and there is potential for migration, but the numbers involved are very few and have declined over the last three years. *Ganyu* is done, but it usually involves staying with the family. Cross-border natural resource use is limited to timber and charcoal. Agricultural products tend to be sold to traders who then transport them into Malawi, however when necessary they can be taken by those farmers that have bicycles into Malawi. Social interaction is lower, but even in those communities 150 km into Mozambique, men reported going at least once a year to Malawi to buy consumer goods and visit relatives. Many also listen to Malawi radio and pick-up important information from it. The Malawi Kwacha or the Metical may be the medium of exchange. Service use tends to be more specialized on specific more complex medical problems, small numbers to secondary school etc.
- **Distant** – Covering large parts of Niassa, Nampula, Zambezia and Tete Provinces. The main interaction is trade – the selling of agricultural produce to Malawi, and the purchase of consumer goods from Malawi. The area involved varies from product to product and from year to year, depending on the specific market conditions. The Metical is the medium of exchange. For purposes of calculation in section 4 a rough estimate of those benefiting from maize sales to Malawi is given in table 2.2.

Table 2.2 – numbers potentially involved in producing maize for Malawi⁴

Province	Population	% in main areas selling maize to Malawi	Number in main areas selling maize to Malawi	Average family size	Number of families
Niassa	756,000	40%	303,000	4	76,000
Nampula	2,975,000	20%	595,000	3.7	160,000
Zambezia	2,892,000	40%	1,157,000	4	289,000
Tete	1,144,000	40%	458,000	4.3	106,000
TOTAL	7,767,000		2,513,000		631,000

Milange, Zambezia

Milange is situated in the west of Zambezia province along the border with Malawi. The area is far away from the main consumer centres such as Quelimane and Mocuba in Zambezia, but close to the much larger centres of Blantyre and Limbe in Malawi. Population densities are high along the border with Malawi, where the communities benefit from easy marketing and the use of services – however the land is becoming fully used, fertility rates may be falling and deforestation is occurring. There is still plentiful land and natural resources further to the interior.

⁴ Data from 1997 Mozambique census

The commercial network in Milange is very weak with local traders undercapitalised, some traders who use to supply maize to Malawian wholesalers are getting credit from Malawi.

Malawian traders are operating in locations far away from the town due to the conflict of interests with local traders, they seem to be supported by the District Administration who discourage the involvement of Malawian traders in the commercialisation of maize directly from farmers. This contrasts with Niassa and the Northern of Tete where Malawian traders were operating more freely. As part of this approach a trade fair, “*feira da Amizade*” has been created to enable Malawian traders to buy agricultural products in the town instead of going to the interior to buy from farmers.

Contrary to the other two case studies areas Mozambicans from Milange are going to Malawi to do ganyu in estates or in large farms for cash. Malawians do ganyu on smallholder farms in Milange, generally in exchange for food.

In the south of the District the border is marked by a river that has to be crossed by canoe. In the north there is no natural boundary.

Cuamba, Mecanhelas and Mandimba, Niassa

Cuamba is located in south of Niassa province. Cuamba lies on the Nacala corridor with train and road connections between the coast, Nampula, through Cuamba to Malawi. The train connection beyond Cuamba to the Malawi border is the only part that has not been rehabilitated. Cuamba is also an intersection for road links north into Niassa and south into western Zambezia.

Mecanhelas and Mandimba are border Districts – the Lakes Chirwa and Chiuta form a natural barrier in part of the area, but further north near Mandimba there is no barrier. The fish trade and the opportunities to do ganyu for fishermen differentiate this case study area from the other two.

The farmers’ association movement is strong in southern Niassa where a Confederation of Farmers Association, UCASN is providing support the farmers associations. There are a number of agricultural tools sale posts in associations with support of UCASN.

Three large commercial companies (JFS, V&M and Export Marketing) and one NGO (UCASN) are playing a role in the commercialisation of agricultural produce in Southern Niassa providing alternative markets for producers and small traders.

In contrast to Milange and the North of Tete, three Banks are based in Cuamba. However, there is no bank in Mecanhelas and Mandimba. The services provided by these banks are not accessible to smaller traders. AMODER, a Mozambican NGO registered as financial institution, is providing credit for small traders who are acting as intermediaries between the larger commercial companies and producers. A consortium between AMODER and Export Marketing has been created under the Malonda Programme. This provides market capacity building which is less available in Milange and Angonia.

There is a dynamic market mainly for agricultural produce in Entre-Lagos which is served by road and railway from Nampula to Malawi and vice-versa.

Angonia, Tsangano and Zobue, Tete

The location is in the upland areas of Tete and is characterized by the high potential for agricultural produce. The area is characterized also by having a more advanced commercial mentality, more developed farming systems and a relatively developed private sector. Land is still plentiful for agricultural production. Maize, Irish Potatoes and fruits are produced in the highland of Angonia and Tsangano as well as tobacco.

Two main roads are connecting the areas with Tete to the south and with Malawi to the north. Four border posts are in areas along the border with Malawi in contrast with Southern Niassa where there are two border posts (Mecanhelas and Mandimba) and Milange with only one border post. The main north-south road between Blantyre and Lilongwe runs along part of the border, further increasing trading opportunities.

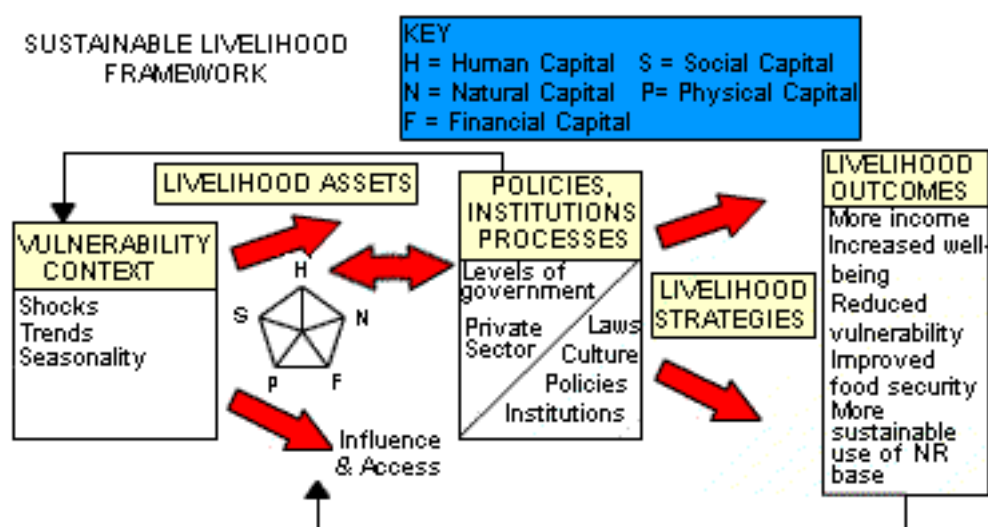
For three districts which are part of the highland of Angonia, there is only one bank based in Ulongue. The rural periodic markets in the Northern of Tete are more dynamic, however the majority of them are functioning close to the border.

3. LIVELIHOOD SECURITY FRAMEWORK

3.1 Background

A livelihood framework is a tool that can be used to improve our understanding of the multiple components and processes that make up livelihood – particularly the livelihood of the poor. In this report, the framework currently used by DFID is used as a basis for analysis⁵.

Figure 1. Sustainable livelihood framework



Cross-border issues impact on livelihood outcomes in a variety of ways:

Vulnerability Context – Neighbouring countries impact on the context by effecting shocks, trends, seasonality etc., in both positive and negative ways. The influence of a neighbouring country tends to be greater for households living closer to the border, but the impact of regional and global factors on the poor, even in the interior of the different countries, is very real. Part of the challenge of globalization is to manage these impacts on poor household livelihoods, so as to minimize the negative and maximize the positive.

Livelihood Assets – Current and potential capital assets are located on both sides of the border. The human capital of development experience gained in one country may be extremely useful to households across the border. Many Malawian households rely on the relatively richer natural capital in Mozambique, particularly in terms of soil availability and fertility. The availability of financial capital in Malawi has a profound impact on the marketing opportunities for Northern Mozambican farmers. Social capital, with extended family linkages crossing the border is important for obtaining *ganyu* labour, gaining access to land, organizing marriages and reducing cross-border robbery and violence. Physical capital such as roads, markets, communications, hospitals and schools affect livelihood, even if they are developed in the neighbouring country.

⁵ More information on the framework can be obtained from livelihoods@dfid.gov.uk and on <http://www.livelihoods.org/>

Policies, Institutions and Processes – a whole range of policies affect cross-border interactions and impact on livelihood. These policies, being decided and implemented by two or more governments, are often driven, or at least obscured, by national political issues, such as sovereignty, rather than the livelihood needs of the local communities. This means that the complexity of advocacy is greater and the opportunity to influence policy is more difficult. Some institutions cross the border, other do not – creating discontinuity and sometimes additional costs, or missed opportunities for experience exchange. Contradictory policies or regulatory frameworks on either side of a border can increase the vulnerability context, as shocks are not effectively minimized and trends such as environmental degradation are not adequately addressed.

Livelihood Strategies – Households follow livelihood strategies grounded in the opportunities afforded by their livelihood assets, their vulnerability context and the policy and institutional framework they experience. Border issues to a greater or lesser extent, affect all these – and therefore, not surprisingly, household livelihoods are closely attuned to the opportunities and threats provided by the border. The border, if strengthened as a physical barrier to movement of people and goods, often has a negative impact on local livelihood strategies, but not always – at a local level, communities can make good money by avoiding the border controls (for example, by carrying dutiable goods along informal paths). However, any benefits from this at a local level need to be compared with the extra transaction costs and lack of Government revenue that results from evading duty.

The objective of this report is to identify which policies, institutions and processes can support the livelihood strategies of the poor, so as to improve their livelihood outcomes. To do this, it is necessary to briefly look at vulnerability context and livelihood assets of the communities involved.

3.2 Sustainable livelihood framework for the rural poor in Southern Malawi

The vulnerability context of the rural poor in southern Malawi has been documented⁶. Priorities for action are being identified in the Poverty Reduction Strategy Paper (PRSP) process currently underway. There are some key issues in terms of poverty in Southern Malawi that are of particular relevance to cross-border analysis that should be borne in mind:

- The rural poor in Southern Malawi are net buyers of food, particularly maize and particularly during the hungry period of October to March. Therefore, they are vulnerable to high maize prices and rising maize prices throughout the season⁷. Maize produced in Mozambique is a major factor in keeping availability up and prices down.
- Poor rural households make up for the deficit in their maize production through a range of livelihood strategies, including:
 - (a) Growing a variety of cash crops, such as tobacco, sugar cane, cassava and sweet potato.

⁶ Devereux 1997, Cromwell E. et al 2001, Diagne A. & Zeller M. 2001, Dorward A. & Kydd J 1998, Government of Malawi 2000, Kanyama-Phiri et Al 2000, NRI 1998, NRI/DFID 1999, Orr A. & Mwale B. 2000, Orr A. & Orr S 2001, Peters P. 1996, Smith W. J 1999, Statistical Services Centre 2001(a) & (b), Tomich T., Peters P. & Deolalikar 1995, Whiteside M. & Carr S. 1997.

⁷ Statistical Services Centre 2001(b):

- 60% of households food deficit in the 2000/01 lean period despite good harvest in 2000;
- Over half households sell crops, but less than 20% sell maize.

- (b) Engaging in off-farm income earning – typically petty trading, often linked to agricultural produce and sometimes linked to border trade.
 - (c) Engaging in agricultural piecework (*ganyu*) – sometimes in Mozambique.
 - (d) Transfers – often urban to rural – using the social capital of the extended family.
- The combination of lack of availability of seasonal credit and the high price of fertilizer relative to the (highly variable) sale price of maize, makes intensification of maize production for sale unlikely to be viable for many smallholders in most years, and understandably this is not a key objective for most smallholders. However, it is an aspiration of many smallholders to produce as much maize as possible for home consumption, and therefore to be less vulnerable to volatile food purchase prices. Farmers therefore try to invest in maize production for consumption and the economic viability of this is perhaps secondary to security aspects. The starter packs were popular, because they supported this aspiration⁸. However in border case study areas, at least some farmers reported that it was not worth buying fertilizer to grow their own maize, because it was cheaper to buy from Malawi – therefore it seems as if near the border, the greater availability of Mozambican maize for sale produces a different decision on household livelihood strategies.
 - The starter packs and good harvest in 1999 and 2000 provided a breathing space, but the poor harvest in 2001 has caused a return to the question about the medium-term livelihood security of a large proportion of the population (perhaps 50% in southern region and 30% in central region), who face natural capital constraints in securing a livelihood from agriculture. They face diminishing quantities of land and diminishing residual soil fertility⁹. Considerable effort has gone into developing sustainable agricultural technologies, including:
 - (a) area-specific fertilizer recommendations;
 - (b) higher value cash crops on which fertilizer and intensive labour may be viable – perhaps with the implicit assumption that a significant proportion of the maize needed can be grown extensively in Mozambique;
 - (c) low external input systems for maintaining soil fertility, such as erosion control, legumes, agroforestry and improved fallows.

It is still unclear whether the combination of these approaches will be sufficient to provide widespread livelihood security, but there are some cross-border issues that may be crucial in eventual success or failure:

- (a) the secure availability of reasonably priced maize;
- (b) efficient transport and trade – reducing the cost of fertilizer and increasing the value of agricultural exports;
- (c) competition and/or collaboration with neighbouring countries on agricultural exports (for instance, Northern Mozambique and Southern Malawi, may in future compete in exports in paprika or tobacco, *or* the added volume and associated expertise and muscle of exports from both countries combined may be mutually beneficial. Both scenarios are likely at different times in the development of export markets);
- (d) opportunities for migration on a temporary or permanent basis to neighbouring countries with more natural resources and a shortage of skills and labour.

⁸ Statistical Services Centre 2001(a).

⁹ Even though many households now get a considerable proportion of their income from off their own farm (especially through petty trading), much of this is relying on or recycling their neighbours' agricultural production, which may be unsustainable, rather than adding to overall sustainable wealth creation.

- There is also concern about the livelihood security of the poorest 5-20%. Plans and pilot experiences are quite advanced on a safety net strategy for the poorest¹⁰. In relation to cross-border interactions:
 - (a) The long-term sustainability of the strategy relies on sufficient numbers of households moving from reliance on safety nets to self-reliance, which depends on viable livelihood strategies being available for those with labour – the cross-border interaction for this will be similar to those outlined above.
 - (b) Sufficient government revenue will be needed to fund the long-term safety nets of those not able to move to self-reliance. What will be the source of the revenue and will this impact on cross-border interactions?
 - (c) If free or subsidized fertilizer is involved, what is the likely impact on farmer incomes in Northern Mozambique (see section 4.7)?

3.3 Sustainable livelihood framework for the rural poor in Northern Mozambique

Vulnerability Context

Vulnerability is due to shocks mainly from crop failure, human disease or failure of markets. Very low levels of savings, livelihood dependency on crop agriculture and weak health services compound these. Overall levels of poverty mean that community based safety nets have limited capacity. Cross-border interactions reduce vulnerability by improving market opportunities, increasing the availability of other livelihood strategies and giving access to improved health services.

Natural capital

In contrast to Malawi, most households have access to sufficient land and soil fertility levels are generally high. However, this situation should not be taken for granted. In Milange District in the 10km strip along the border, the land has been fully settled and cultivated for the last five years, with little spare for longer fallows. Farmers report falling fertility levels and shortages of resources, such as firewood, timber and better quality thatching grass (see annex 2). This situation is also encountered near to some towns and along some roads. In contrast, the interior of Milange, most of Southern Niassa and many other areas still has low levels of population; there is considerable uncultivated land and some communities were reported to be in favour of attracting settlers – to increase local production and make the area more viable for traders to operate in.

Human capital

Household labour power is probably still the most important determinant of production capacity. There is some stratification, with some households able to store a surplus in the form of food or cash and use this to employ *ganyu* labour, and therefore increase production the following year. Skills levels are still concentrated on those crops traditionally grown in the area, but new crops are being tried; with low profitability of maize in 1998/99 and 1999/00, farmers have shown themselves sensitive to market conditions and keen to try new cash crops and new marketing arrangements. Institutional capacity to increase farmers' skills remains very low.

¹⁰ Smith 1999, UNDP 1999, Devereux 1999, National Economic Council (Malawi) 2000.

Financial capital

Financial capital is extremely low. Keeping savings in cash form is difficult: banks or other institutional savings schemes are generally not available to the rural poor; cash income from crop sales may be a once-a-year event and be very insecure because of volatile prices and opportunistic commercialization activities. Cash obtained from crop sales generally goes to meet immediate needs, or to increase physical capital – an early investment for many households is a bicycle. Savings in terms of livestock are generally low and converting these into cash can be difficult (as evidenced by the people standing beside the road with chickens for sale).

Physical capital

Household level physical capital is still extremely low, but is increasing – witness the dramatic increase in bicycle numbers in Northern Mozambique in the last five years. Infrastructure such as all-weather roads, schools, health posts and clean water supplies is still very inadequate, but is also increasing. Access to inputs, such as higher quality or different varieties of seed is still very weak.

Social capital

Key connections are through family and traditional leadership structures, through which land access, informal safety nets and *ganyu* labour is accessed. Stable relationships between farmers and crop buyers are very rare, but are increasing in some areas through associations. Rural markets supply an increasing range of consumer goods and sometimes provide an opportunity for sale of small quantities of farm produce, but they don't seem to be meeting the post-harvest crop sales needs of farmers. In some areas, particularly those influenced by Malawi, periodic markets have developed (often twice weekly) and enable a greater range of consumer goods to be bought.

Policies, Institutions and Processes

The Policies, institutions and processes required to support the livelihood strategies and outcomes of rural households, particularly those linked to cross-border interactions, are discussed in more detail in subsequent sections of this report:

- The need to reduce barriers to cross-border trade (Section 4.4, 4.6);
- The need for diversified production, diversified markets and more storage (section 4.5);
- The need to avoid policies in Malawi that damage livelihoods in Northern Mozambique (section 4.7, 4.8);
- The need for a consumer goods market to complement the agricultural product market (section 4.9)
- The need for strategic investment in market development (Section 4.10)
- Enabling cross-border labour exchange to take place (Section 5)
- Enabling Mozambican households to use services in Malawi (Section 7.1)
- Enabling learning from development experience in Malawi (Section 7.3).

Table 3.4 – Comparison of livelihood components in N. Mozambique and S. Malawi

	Mozambique interior	Mozambique – close to border, town or transport corridor	Malawi
Vulnerability context Shocks Trends	<ul style="list-style-type: none"> • Unfavourable weather • Illness reducing labour power • Low price of maize • Lack of crop buyers 	<ul style="list-style-type: none"> • Unfavourable weather • Illness reducing labour power • Low price of maize • Reducing soil fertility 	<ul style="list-style-type: none"> • Unfavourable weather • Illness reducing labour power • High price of maize • Reduced soil fertility
Livelihood Assets			
Human capital	Low – low formal education, impact HIV/AIDS	Low – low formal education, impact HIV/AIDS	Moderate – some formal education, impact HIV/AIDS
Natural capital	High – land and soil available	Moderate – land constrained and soil fertility falling	Low – critical shortage of land and low soil fertility.
Financial capital	Very low – no savings, difficult to sell goods to raise money	Low – few savings, but better access to markets	Low-moderate – some saving and market opportunities
Physical capital	Very low – low household assets, weak public infrastructure	Low – low household assets, but better access to public infrastructure	Moderate – some household assets and access to public infrastructure
Social capital	Low – limited to traditional and family links. Weak links to commercial networks and political decision making	Moderate – several dimensions of linkages	Moderate – several dimensions of linkages

4. CROSS-BORDER TRADE AND LIVELIHOOD SECURITY

4.1 Characteristics of cross-border trade

Cross-border trade is very varied and it is often divided into formal and informal transactions, partly because statistics are available for one and not for the other. Informal trade can also be usefully divided into that part which is national and that part which is local in character – the latter involving goods used and produced by the border communities themselves. The boundaries between the different categories are not always rigid:

- **Formal trade** – mainly by registered traders; duty – where payable – is paid and information on quantities enters the national statistics.
- **Informal or smuggling** – where goods are not recorded and duty is avoided. This may involve bribing customs officials, under-declaring of quantities or values, or arranging for goods to cross the border where there is not a border post. It can involve carriage on the head or on bicycles by local people and can represent an important local income source. A major part of this trade used to be consumer goods imported from Malawi to Mozambique – a combination of more effective Mozambican customs and some reductions in duty seems to have meant that some of this trade has moved to the formal sector in the last three years. Sugar seems to be the key current smuggled product. Beans, Pigeon Pea and some other agricultural produce, but not maize, may be smuggled to avoid duty.
- **Informal border community trade** – members of the local communities crossing the border to buy and sell. Sometimes they cross at an official border post, but are not made to pay duty on their purchases; sometimes they cross where there is no border post, because it is a more convenient route. At least one end of the commercial chain starts or finishes within the border community.

Table 4.1a – Main items involved in cross-border trade in 2001¹¹

Malawi to Mozambique	Mozambique to Malawi
Smallholder farm products Vegetables Fruits Tobacco ¹² Livestock ¹³	Maize, beans, groundnuts, pigeon pea, onions, tobacco, cassava, bananas, rice, sunflower seed, livestock
Non-smallholder products Plastic products (plates, shoes, bags) Roofing sheets, hardware, metal kitchenware Sugar, fish, cement, fuel and oil Bicycles & Bicycle spares, hoes, seed, fertilizer	Batteries Cigarettes Soap (AYU) Cloth

¹¹ Source – Oxfam 2001, field observation and data collection for current consultancy.

¹² In Malawi, the tobacco marketing regulations require that tobacco bought from farmers passes through the auction floors, where it is taxed. Apparently, tobacco bought in Mozambique does not need to go through the auction floors and can be used directly by manufacturers. It seems there is some buying by Malawian companies just inside the Mozambique border – which of course attracts tobacco grown in Malawi that is then registered as 'Mozambican' and can then by-pass the auction floors and avoid tax. It is not known how significant this trade is.

¹³ In Machinga and Mulanje livestock are being exported to Mozambique as breeding stock, to replace those killed in the war. In Angonia Livestock are being exported to Malawi for meat.

Malawi to Mozambique	Mozambique to Malawi
Blankets, cloth (Zitenje), second-hand clothes & shoes Sewing machines, radios, books Soft drinks, grocery items, toiletries, soap Earrings, rat poison, cigarettes	Cooking oil Salt Dried and fresh fish and prawns

4.1.1 Quantity of trade

Table 4.1b – 1999 Formal trade between Mozambique and Malawi (Value US\$)

Category	Mozambique to Malawi	Malawi to Mozambique
Sugar		3,990,000
Oilseeds etc.	1,430,000	
Books, newspapers	560,000	1,260,000
Tobacco	800,000	
Fuel and oil	770,000	5,000
Cereals	620,000	
Fats and vegetable oils	420,000	
Salt & cement	210,000	220,000
Furniture & bedding		175,000
Plastics, plastic articles		170,000
Vehicles	130,000	
Clothes	32,000	130,000
Iron & Steel		55,000
Paper		50,000
Wooden articles		45,000
Rubber articles		40,000
Paints & dies		40,000
Fish and crustaceans	34,000	
Beverages		30,000
Fertilizers		30,000
Tea etc	23,000	
Machinery	5,000	20,000
Ropes & yarn		20,000
Copper		10,000
Flour, milled grain		10,000
Electrical goods	9,000	
Vegetables, roots & tubers		5,000
Other	442,000	1,205,000
TOTAL	5,060,000	6,375,000

The formal trade in 1999 is quite evenly balanced in 1999 – this was not the case in 1996 (see fig 4.1c) when trade in the direction from Malawi to Mozambique predominated.

Informal Trade

By its very nature, it is difficult to get statistics about informal trade volumes. In 1996, USAID sponsored some research on unrecorded cross-border trade between several countries in the region, including Mozambique and Malawi. The margin of error of the final data was quite large and data collected from one country in one direction did not necessarily match that collected from the other country in the other direction. However, the results do show the importance of unrecorded trade at that time in comparison to the formal trade – with the value of informal trade being similar to that of the formal and being particularly significant from Mozambique to Malawi:

Table 4.1c – Two estimates of Mozambique-Malawi cross-border trade, 1996

Direction of trade	Formal 1996 (Million US\$)	Informal 1996 (Million US\$)	Main items
Mozambique to Malawi	1.4	1.4-2.3 ¹⁴ 11-20 ¹⁵	Maize, beans, salt, vegetables, dried fish, soap
Malawi to Mozambique	10.7	2.8-4.7 ¹⁶ 4.8-8 ¹⁷	Beer, soft drinks, sugar, maize, fertilizer, vegetable, fruit ¹⁸
Total	12.1	4.2-28	

4.2 Maize and other farm produce trade

The bulk of the movement in farm produce is from Mozambique into Malawi – although there is some movement of specific products – such as vegetables and fruit – in the other direction. In some years the more developed storage and marketing facilities in Malawi mean grain is moved from Mozambique after harvest and smaller quantities may be brought back and sold in Mozambique in the hungry period.

The trade operates on many different levels:

- **Large Mozambique-based operators** – there are a small number, such as V & M Grain Co and Export Marketing, which are formally registered and have turnovers in tens of thousands of metric tonnes. They have their own truck fleet and warehouses, but may also hire. They buy direct from farmers, from intermediaries and at the warehouse door and choose from year to year where to sell, according to market conditions in Mozambique, neighbouring countries and overseas.
- **Medium-sized Mozambique district-based traders** – with turnover typically from tens to several hundred tonnes and are orientated towards the Malawi or Mozambique market. They may operate on an import-export licence or a less formal exporting permit issued by DDARD¹⁹. They buy direct from farmers and may sell to Malawian traders across the

¹⁴ Adapted from Macamo, 1998.

¹⁵ Adapted from Minde & Nakhumwa, 1997.

¹⁶ Adapted from Macamo, 1998.

¹⁷ Adapted from Minde & Nakhumwa, 1997.

¹⁸ Some products were found to travel in both directions – either at different times of the year or at different parts of the frontier.

¹⁹ It is not clear how legal this is – it is basically a phytosanitary certificate issued locally with the justification that this means the export enters the statistical records and locally DARD raises some revenue for agricultural services.

border or purchasers such as RAB and ADMARC further inside Malawi. A major constraint faced by these traders is seasonal finance and lack of transport.

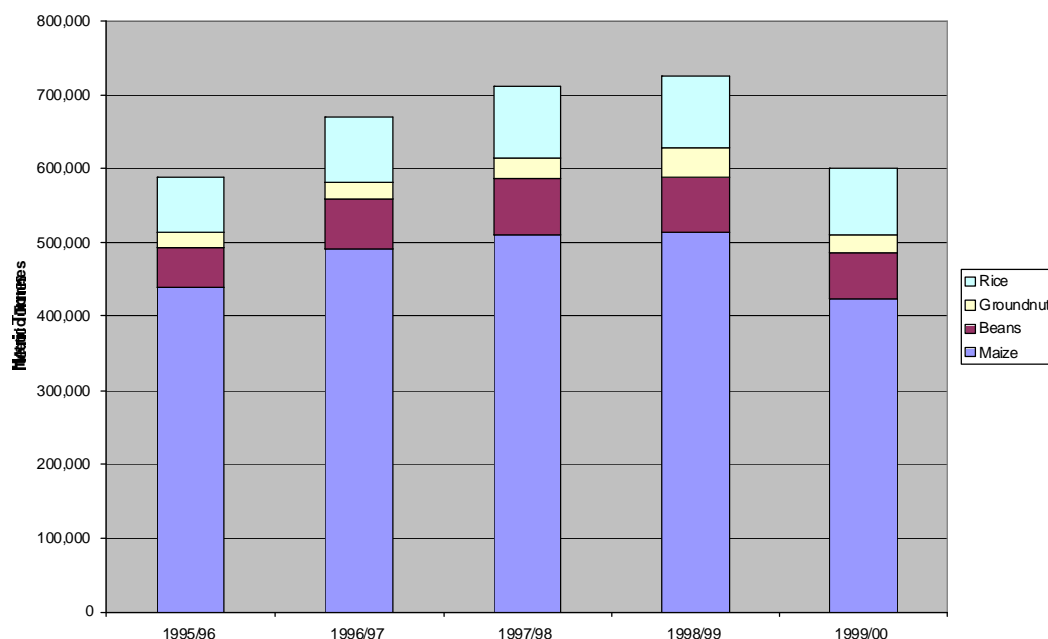
- **Large and medium-sized Malawi-based traders** – delivering to purchasers such as RAB or ADMARC, or for sale in local markets. Depending on the practices of the Mozambican authorities (see 4.6) – which vary from place to place and from year to year – they may buy direct from Mozambican farmers, from Mozambican medium-sized traders, or set up buying operations on the Malawi side of the border.
- **Small scale Mozambican and Malawian traders** – typically people living near the border on either side and buying two to three bags at a time, transporting it by bicycle to Malawi and selling to buying points on the Malawi side of the border. They may buy at the ‘farmgate’ or at local markets.
- **Malawian consumers** – who cross the border and buy maize for their own consumption at a cheaper price than they can buy it in Malawi, transporting it back by bicycle or on their head. Often maize is earned by *ganyu* labour.
- **Mozambican farmers** – who sell in Malawi to get a better price, or because there are no buyers in their own village – in the latter case farmers can carry produce from 60 km in the interior – but this tends to be a last resort.

The balance between the different participants differs from area to area and from year to year. In some instances, different sized players work together as part of a chain and in other cases they are in competition, which can sometimes get vicious. Government policy can change the balance between the different players (see section 4.6).

For farmers in the interior, the opportunities to sell their crops can be very limited – with perhaps a single buyer coming a single time. Opportunities for these farmers to ‘play the market’ by holding back part of their crop in the hope of prices rising are therefore not available. Traders tend to buy at a village level by depositing an employee with bags and a balance for several days or weeks in a community – and sending a truck to pick up the produce whenever there is sufficient bulk. In some communities, farmers associations are starting to play this bulking role, contacting potential buyers in advance and bulking produce from both members and non-members.

In the three provinces bordering Southern Malawi – Niassa, Zambezia and Tete – maize is the most important cash crop traded informally with Malawi, although beans, groundnut, dried cassava and rice can also be important.

Production of key traded commodities in 3 Mozambican Provinces bordering Malawi



4.3 Winners and losers from cross-border maize trade

Cross-border maize trade tends to **INCREASE** the producer and retail price of maize in northern Mozambique and **REDUCE** the producer and retail price in Malawi. A stakeholder analysis reveals that the majority of the poor benefit from this:

Table 4.3 – Stakeholder analysis of winners and losers from cross-border maize trade

Stakeholder	Outcome from maize trade	Explanation
Mozambique Northern Mozambique farmer ~ the poorest 80%	Winner	As net producers - higher prices and additional marketing opportunities increase household income levels. A proportion become losers in years of maize crop failure when some become net consumers ²⁰ , although the impact of this is reduced due to the importance of other staple foods, such as cassava, which are not traded as much as maize.
Northern Mozambique urban population ~ less poor 10% and poor 10%	Loser	As net consumers they are hurt by higher maize prices, although considerable proportions of the urban population do grow some of their own food, so the negative impact is not as great as it might be. This group includes both the poor and the less poor; the latter includes the local civil

²⁰ This may be an issue in 2001, see also section 4.6.

Stakeholder	Outcome from maize trade	Explanation
		servants and tends to be politically influential.
Southern Mozambique urban and rural population	Little net impact	The urban population, and also quite often the rural population, are net maize consumers – however a regression analysis ²¹ has shown that the higher prices in northern Mozambique has limited impact, because most of the maize comes from Manica or South Africa.
Malawi Southern Malawi rural population – the poorest 75%	Winner – 80% Loser – 20%	The majority are net consumers – lower prices and increased supply increase their livelihood security and enable them to concentrate on a more diversified range of crops, making better use of their comparative advantage ²² . About 20% are net producers, who tend to be the slightly better resourced farmers.
Northern Malawi farmers	Probably neutral: net consumers = winner Net producer = loser	Although the proportion of net producers is higher in the north than the south, there are still many net consumer households; also net producers tend to benefit from export opportunities to Tanzania and Zambia.
Malawi urban population	Winner	Net consumers who benefit from lower prices

Conclusion

Overall, the maize trade between Northern Mozambique and Southern Malawi benefits the vast majority of the populations in both areas and, in particular, the poorer sector of the populations. This suggests that policies should be supported that encourage the trade and make it as efficient as possible, which would result in the highest possible prices for Mozambican farmers and the lowest possible prices for Malawian consumers.

²¹ Tschirley D. & Santos A. P. 1999 – The effect of maize trade with Malawi on price levels in Mozambique: Implications for trade and development policy. MAF/MSU Research Report 34.

²² Orr A. & Orr S 2001- Changing Livelihoods in Malawi's Rural South.

4.4 Factors that help or hinder cross-border trade

Policies and practices that encourage cross-border trade	Policies and practices that discourage cross-border trade
<p>Trade agreements</p> <p>Both Mozambique and Malawi are members of the SADC free trade area, which means tariffs will fall gradually over the next eight years and other sensitive items will take 12 years before tariffs end. Mozambique is in the process of revising all tariffs to come into line with the SADC system. Maize is already zero tariff rated.</p>	<p>Mozambique withdrew from COMESA in 1998, while Malawi remains a member – this means that certain products that were duty free in COMESA are now taxable:</p> <ul style="list-style-type: none"> • Some consumer goods coming from Malawi to Mozambique are now taxable at around 25-30%. • Beans, banana and pigeon-pea coming from Mozambique to Malawi have a tariff of 25-30 %, cassava and sweet potato a tariff of 10%. <p>It seems likely that the withdrawal from COMESA is likely to have a larger impact on Mozambique-Malawi trade than the initiation of the SADC trade protocol – at least in the early years of implementation²³. Mozambique is apparently now re-assessing its withdrawal from COMESA as some feel that the benefits lost from withdrawal exceed the benefits gained^{24,25}.</p> <p>Although Malawi proposed a bilateral trade agreement with Mozambique several years ago, Mozambique has been slow in responding. Apparently under the SADC protocol, any new favourable terms offered to one SADC member have to be offered to all – therefore it seems as if the boat may have been missed for a bilateral agreement.</p> <p>It is possible that the SADC trade protocol may discourage informal or small traders, rather than larger ones, because of the need for a certificate of origin. Since the protocol is just starting to be implemented, it remains to be seen how this provision is dealt with in practice at the borders.</p>
<p>Agricultural export policy and practice</p> <p>National policies in both countries favour facilitating agricultural exports²⁶. At a national level, the Mozambique Government has resisted calls from some politicians and local governments to restrict maize exports, even when this has caused high domestic prices²⁷.</p>	<p>Maize is viewed as a strategic commodity in Malawi, with its export banned in times of perceived shortage.</p> <p>At district and provincial level in Mozambique, there is a somewhat ambivalent attitude to agricultural exports and to Malawian traders – there are regular attempts to ‘control’ the trade and sometimes to place barriers in its way – (see 4.6).</p>

²³ Connect Consulting 2001? – likely impact of SADC trade protocol on revenue and trade of different member states.

²⁴ Although not directly related to Mozambique-Malawi trade, a major cost of withdrawal from COMESA experienced by Northern Mozambican farmers and traders was the tariff on Mozambican maize imports to Kenya – a COMESA but non-SADC member – this made Mozambique unable to compete in a potentially important market in 1999 and 2000.

²⁵ Stories differ on why Mozambique withdrew from COMESA – some believe it was because membership was incompatible with other trade agreements Mozambique had with South Africa or SADC – however others claim it was a simple cost-benefit calculation and that lost customs revenue was the deciding factor – a calculation that is now being re-examined.

²⁶ Republic of Mozambique 2001 – Estrategia da Comercializacao Agricola 2000-2004.

²⁷ AIM 18 Oct 2001 – ‘Nothing Wrong with Exporting Maize’.

Policies and practices that encourage cross-border trade	Policies and practices that discourage cross-border trade
<p style="text-align: center;">Border practices</p> <p>There is considerable flexibility practiced at border posts – enabling local populations to cross to attend markets, or to grind grain, and cross back with limited quantities of produce, without paying duties or needing passports^{28,29}. Local people crossing borders unofficially where there are no convenient border posts is tolerated in most areas.</p>	<p>Some Mozambican local authorities consider the current flexibility as a temporary and unfortunate necessity³⁰ – and state quite openly that once commercial capacity is sufficiently developed on the Mozambican side, then this informal crossing will be stopped.</p>
<p style="text-align: center;">Policy towards traders</p> <p>Export of maize from Mozambique to Malawi is officially unrestricted, including the purchase of produce by Malawian traders from farmers and the movement across the frontier of Mozambican or Malawian lorries.</p> <p>In Mozambique, getting a licence as an import-export trader has been simplified, but can still be difficult – it can now be issued at Provincial level and there also seems to be an unofficial District level approval process.</p> <p>Mozambican customs documentation has been simplified; the capacity and professionalism of customs and immigration has improved, which means it is harder to avoid paying duty, but that there are less demands for corrupt payments³¹.</p>	<p>In practice, there are a number of barriers:</p> <ul style="list-style-type: none"> • Movement of lorries across the frontier is not cheap³² – at the Milange border, in order to avoid the expense of bringing the lorries across, the maize is carried across the border by bicycle and loaded into lorries on the Malawi side – cyclists charge 15 MK per sack for maize. • Although the SADC transport protocol has been signed, in practice there are various barriers: Malawi is part of the yellow card insurance scheme, Mozambique is not; road user charges are not harmonized across the border; weight restrictions are different; restrictions on doing internal trade in neighbouring countries reduces the opportunity for getting loads in both directions, and so on. • Malawian traders operating in Mozambique need to get a licence in the Provincial capital – this seems to be an effective barrier in practice (Mozambican traders can get an informal export licence/phytosanitary certificate at District level e.g. in Milange from the District Agricultural Office at a charge of Mt 25,000 per tonne). • When the used sacks are bought back into Mozambique, customs duty is apparently charged. • Malawian cyclists carrying goods in Mozambique face regular demands for payment to the border police – most of this is thought to go into the pockets of the police. This is deterring some small traders.
<p style="text-align: center;">Investment and incentives</p> <p>Investment, particularly transport infrastructure, can have a positive or negative impact – depending on whether it is directed at cross-border or internal trade.</p>	<p>Subsidising production in Malawi through the starter pack (and to a lesser extent APIP) schemes has reduced cross-border trade (see 4.7).</p>

²⁸ Malawi immigration gives people living within 7km of the border a stamped piece of paper without charge. Malawian headmen also used to issue such passes, but this seems to have been discontinued, as the process was abused with people from further away being issued passes. Mozambican police sometimes accept these passes, but at other times ignore them and expect corrupt payments.

²⁹ Noticias 1/10/2001 – at the Milange border post 36,000 people cross the border each month – 1,300 with passports and 35,000 without.

³⁰ Noticias 1/10/2001 – the article also noted how the provincial government was trying to improve its control of people and goods.

³¹ Total revenue raised by customs has doubled, although tariff rates have been reduced.

³² Unconfirmed costs were quoted as MK75 charged by Malawi customs and \$30 by Mozambican customs each time a lorry is brought across – since many lorries might load in Milange Sede, which is 4km inside the border, this is quite expensive for a 8km round trip.

4.5 Volatility and risk

There is considerable volatility of price and volume, both within the season and between season in the maize market in Malawi, Mozambique and the cross-border trade.

Table 4.5a – Seasonal and annual retail maize price variations

Country	Marketing Year ³³	1997	1998	1999	2000	2001 ³⁴	Mean
Northern Mozambique	Highest price \$/kg (% difference from 5 year mean)	0.17 (0%)	0.26 (+53%)	0.1 (-41%)	0.08 (-53%)	0.22 (+29%)	0.17
	Lowest Price \$/kg (% difference from 5 year mean)	0.07 (-22%)	0.11 (+22%)	0.09 (0%)	0.06 (-33%)	0.1 (+11%)	0.09
	% within-season price rise ³⁵	143%	136%	11%	33%	120%	89%
Southern Malawi	Highest price \$/kg (% difference from 5 year mean)	n.a.	0.28 (+22%)	0.22 (-4%)	0.10 (-57%)	0.30 (+30%)	0.23
	Lowest Price \$/kg (% difference from 5 year mean)	n.a.	0.20 (+43%)	0.16 (+14%)	0.07 (-50%)	0.11 (-21%)	0.14
	% within-season price rise	n.a.	40%	38%	43%	173%	64%

The table shows that prices vary considerably within the season and from year to year. Actually for many individual consumers or farmers the variation can be much greater than this – as the figures give average prices over the two regions – within individual marketplaces the price variation is often higher (see table 4.5b).

Table 4.5b: Maize price in different location (prices per kg)³⁶

Location	2001			2000	
	April-May	Sept/October		April-May	October
	Producer	Producer	Retail	Producer	Producer
Milange	3.00Mk	14.00Mk	15.00Mk		
Mbessa	3.00Mk	17.00Mk		2.00Mk	7.00Mk
Belua					7.00Mk
Namporo	4-5.00Mk	7-11.00Mk		2.10Mk	5.00Mk
Cuamba	550-1200Mt	3000-4000Mt	4500Mt	600Mt	900Mt
Guimar	1100Mt	2000Mt		700Mt	900Mt
Chiposse	3Mk	18Mk		2Mk	2.5Mk
Joho	3Mk	18Mk		1.5Mk	2Mk
Nampula			5760Mt		
Ulongue	1000Mt	4250Mk		500Mt	1000-1250Mt
Metangobalama	3Mk	6Mk			
Caia	8-9.00Mk	11Mk	17-18.00Mk		
Calomue	3Mk	15Mk			
Zobue	3.5Mt	12Mk	15Mk		
Mukumbura	900Mt	1200-1500Mt			
Tete City			4500-5000Mt		

The temporal price differentials were dramatic in some locations such as Chiposse (500%) in Mecanhelas district, Joho (500%) in Mandimba district, Mbessa (467%) in Milange district and Calomue (400%) in Angonia district. Price increases were also relatively low in other locations

³³ This lags the production year – e.g. the crop produced in 1996/97 is marketed in 1997 – for each year the retail prices in July, October and January (following year) are used for the calculations.

³⁴ Assumes January 2002 prices 20% higher than October 2001.

³⁵ rise in price as a percentage of the July price.

³⁶ Source: Case study interviews

such as Caia (22%) in Tsanganano and Mukumbura (67%) in the South/west of Tete Province along the border with Zimbabwe. The price for maize was very high in Caia at the beginning of this year's harvest period when compared to the other locations due to low supply for high demand.

Although the underlying cause for much of the instability is the weather, there are other factors linked to liberalization of markets that currently contribute to both within season and between season volatility. Massive upheavals have taken place and are still continuing in both countries in the move from a largely parastatal-run maize market, to a liberalized process (albeit with considerable continuing state involvement in the SGR in Malawi). Everyone is learning from experience about how the new system operates and regular and predictable patterns of behaviour have not yet developed. Some key variables have been:

- The lack of transparency, curious management and uncertain future of the Malawi SGR (see 4.8);
- Uncertainty over current actions or future status of ADMARC or ICM;
- The two years of starter packs (see 4.7);
- Withdrawal (and now re-analysis) from COMESA.
- The attitude of Mozambican authorities towards Malawian traders (see 4.6).

Within this unclear and changing business environment, it is not surprising that the activities of the main traders tends to be opportunistic – taking each year as it comes, trying to maximize profits for the year and keeping long-term investment to the minimum required for current operations. There is little incentive to buy to store and sell later, or to invest in more stable vertical linkages, when there is so much uncertainty³⁷.

The question is whether the problems are teething or structural; whether given a few years of clear and stable policy direction, the private sector will be able to create a more stable marketing environment that will be beneficial to the producer and the consumer, as well as being profitable for the traders, or whether the inherent instability caused by weather and world market conditions will mean that, without government intervention, the instability will continue.

It is necessary to look at both within-season and between-season volatility.

4.5.1 The impact of within-season price rises

The poor suffer from within-season price rises – Poor farmers tend to sell at the start of the season when prices are low. The urban poor and some poor farmers, even if net food sellers, end up buying food in the lean period, when food is expensive. *Ganyu* labour rates, whether paid in cash or food, reflect the prevailing price of food, which means that casual agricultural labourers, who are among the poorest, have to work longer to feed their families³⁸. Therefore measures that reduce within-season price rises are likely to help the poor. These might include:

- (a) Enabling there to be more traders and for them to buy over a longer period. This means that farmers do not have to sell all to the first trader for fear of no more arriving – but can perhaps reduce their risk and increase their returns by staggered selling (see fig 4.5).
- (b) Supporting on-farm storage technologies.

³⁷ It should be noted that V&M Grain Co are reported to have invested in some warehouse capacity independent of ICM, so limited investment is taking place despite the uncertainty.

³⁸ Confirmation of this was obtained in the case study interviews in the current study.

- (c) Enabling traders to buy, store and sell back later (including storage in Malawi – which has historically occurred). Issues such as availability of credit and consistent market policies are likely to help. There is still some hostility towards this buying and selling back, particularly cross-border, seeing it as ‘profiteering’ by traders - rather than as a service provided by traders, particularly in terms of bearing the risk and storage costs. If profit margins are high for an activity, this is surely a reason to encourage more competition, rather than criticise the few that are involved.
- (d) Although ‘closing the border’ might in certain circumstances reduce the within-season price rise, it would need excellent timing to be effective. Also, in the longer term, this would tend to reduce the incentive for farmers and traders to introduce measures (as in (a), (b) & (c) above), which are more likely to achieve a degree of stability in a sustainable fashion.

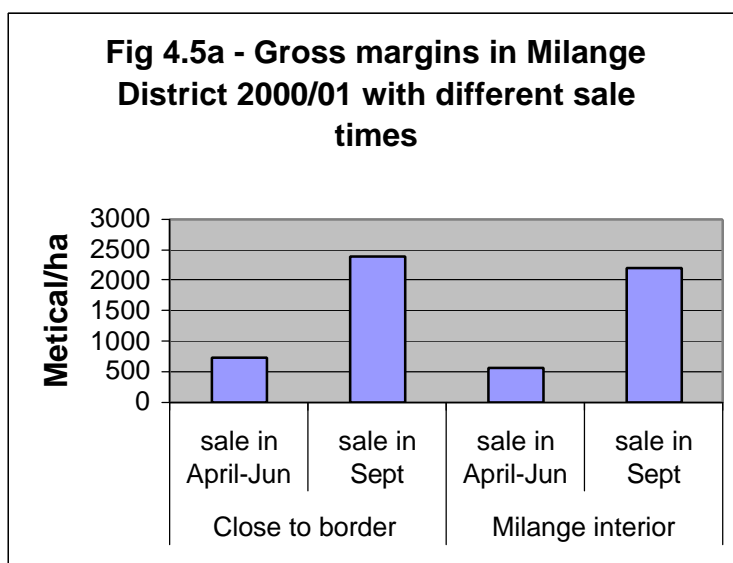
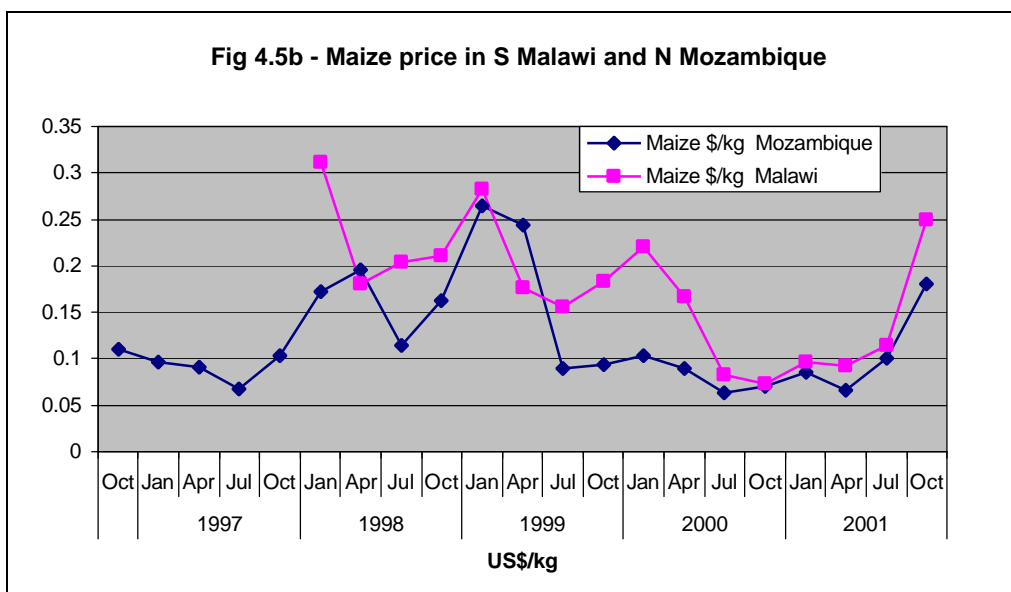


Figure 4.5a shows that in 2001, by delaying their sales by about four months – in which time the typical purchase price more than doubled, farmers could have increased their gross margin by a factor of nearly four. Figure 4.5b shows how prices have changed over the last five years – within season prices rose fast in 1997, 1998 and 2001 – but hardly rose at all in 1997, 1999 or 2000.

The large price differential between Malawi and Mozambique in the second half of 1999 seems to have been due to the border being largely closed to Malawian traders at a time in which the NFRA was buying within Malawi to re-stock the SGR. This forced up consumer prices in Malawi, while at the same time Mozambican farmers were unable to sell their produce - both suffered (see 4.8).



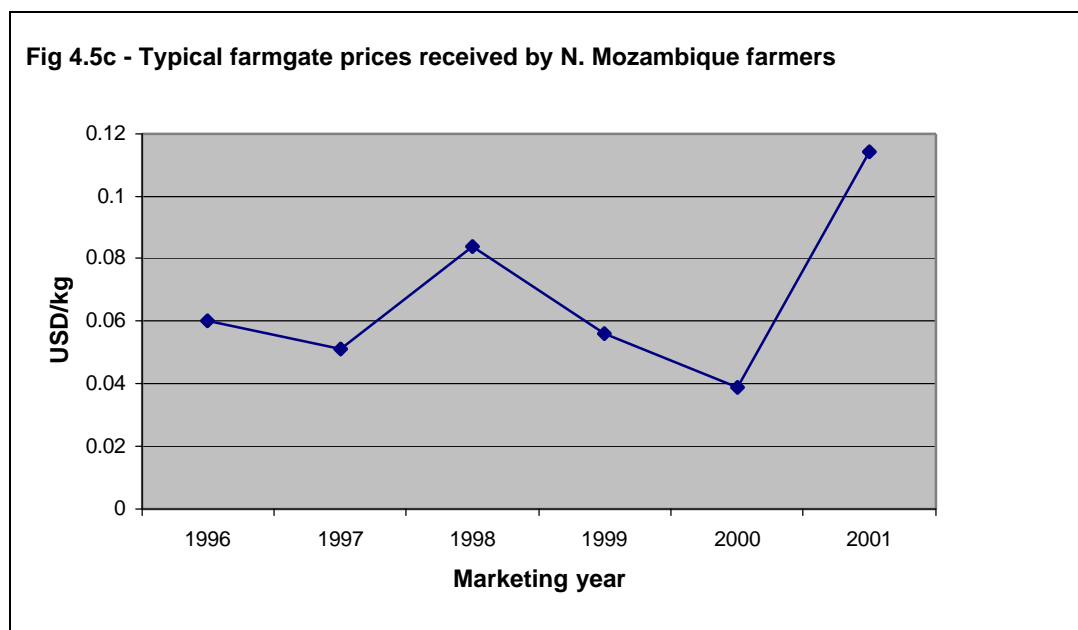
4.5.2 The impact of inter-season volatility

During the last four years, the farmers in Northern Mozambique have experienced two years of high demand and high prices, followed by two years of very low demand and low prices. The reasons for this are a combination of weather, donor and Government policies (a more complete border timeline is given in Annex 6):

Table 4.5c – Variations in maize market demand and reasons

Season/Year	Cross-border market	Reasons
1996/97 crop year 1997 marketing year	Large volume, low prices	Shortages in S. Malawi and bumper harvest in Niassa. Malawian traders very active in N. Mozambique.
1997/98 crop year 1998 marketing year	Lower volume; remote farmers find it difficult to sell; prices rise at the end of year.	Generally poor harvests. Some local restrictions by Mozambique authorities on Malawian traders.
1998/99 crop year 1999 marketing year	Low prices, moderate volume – Mozambican farmers left with unsold maize.	Generally good harvests. Starter packs in Malawi increase domestic production and reduce demand for imports. Mozambique's withdrawal from COMESA reduces alternative marketing opportunities. Some local restrictions by Mozambican authorities on Malawian traders.
1999/00 crop year 2000 marketing year	Low prices, low volume – Mozambican farmers left with unsold maize.	Generally good harvests. Starter packs in Malawi increase domestic production and reduce demand for imports. Mozambique's withdrawal from COMESA reduces alternative marketing opportunities. Some local restrictions by Mozambican authorities on Malawian traders.
2000/01 crop year 2001 marketing year	High prices, low volume – Mozambican farmers with insufficient production to meet demand.	Poor harvests due to excessive rain followed by an early end to the rain. Targeted input programme has less impact than starter packs. Malawi sells strategic grain reserve to Kenya. Some local restrictions by Mozambican authorities on Malawian traders.

Fig 4.5c - Typical farmgate prices received by N. Mozambique farmers



Typical farmgate prices rose by an incredible 300% between 2000 and 2001, however it is important to recognise that volume, as well as price, is important to farmers:

- 1997 is remembered as a good marketing year, because farmers managed to sell large volumes easily to very active Malawian traders. For many farmers, this was the first year when they made 'real money' from farming and many invested in assets such as bicycles.
- 1999 and 2000 are remembered as disasters – not only were prices low, but many farmers were unable to sell their produce.
- 2001 has seen good prices, but many farmers have insufficient production to benefit from these prices.

There is insufficient data to track the quantitative impact of the market instability on different types of Northern Mozambique household. In general, those households close to the border with Malawi and nearer the towns in Mozambique are slightly insulated from the most adverse effects – they usually can sell their crop even if the prices are low. However, for some more remote households in 1999 and 2000, buyers failed to come to their village, leaving them with a cash income of zero and no substantial alternative sources of earning cash.

The impact of this unreliable maize market in Northern Mozambique is enormous. Maize is the most important cash crop for the majority of Northern Mozambique farmers, but market volatility is causing major problems for the development of rural livelihoods. Although farmers can generally grow enough food, the absence of a reasonable secure cash income has major livelihood and developmental consequences:

- There is insufficient money for paying taxes (such as the bicycle tax), contributions to school fees, and activities like farmers' associations are unsustainable if members are unable to pay membership fees.
- There is insufficient money to buy consumer goods and therefore raise living conditions from the very low levels currently endured.

- There is insufficient money to invest in assets such as livestock that can provide security against shocks such as illness or crop failure.

It is not known how much less maize farmers planted in 2000/01 as a result of the poor markets in the preceding two, which resulted in the low production and very high consumer prices in 2001. It is known that farmers have been actively trying other cash crops, including paprika, sesame, tobacco, cotton and potatoes. However, the extent to which these are in addition to, or instead of maize is uncertain. Ironically, the very lack of cash many farmers have experienced in the last two years has probably made it more difficult for farmers to buy different seed and diversify out of maize.

Box 4.5 - Estimate of income from cross border trade in good and bad years

It is difficult to make quantitative estimates at the differing value of the trade to the smallholders in Northern Mozambique because of the weak statistical base:

- 1997 – a favourable year – 100,000 MT sold cross-border @ farmgate price \$60/MT = \$6 million or \$10 per household³⁹.
- 2000 – an unfavourable year (low volume – low price) – 40,000 MT @ farmgate price \$ 40 = 1.6 million dollars or \$2.5 per household.
- 2001 – 40,000 MT @ farmgate price \$120/MT = \$4.8 million or \$7.6 per household.

The difference between a good and bad year is about \$4.4 million in total, or \$7 per household.

Actually the impact of poor cross-border sales may be larger than indicated in the figure – if cross-border sales act as a price setter for the rest of the market, and therefore also influence price of within Mozambique sales.

4.5.3 Ways to reduce volatility

Even without direct government intervention in the marketplace, there are a range of actions, some of which are already underway, that can reduce the volatility and the dependence on an uncertain maize market:

- **Northern Mozambique should look beyond Southern Malawi** – Although Malawi is likely to remain the most important market, it is not the only market. None of the other markets are likely to be consistently profitable, but they can provide additional or alternative markets to those of Malawi – particularly in bumper years, where prices are low and Malawi fails to absorb the surplus. More competitive transport will be needed for these other markets to be viable. Improvements in inter-district, inter-province and especially the North-South road network in Mozambique is opening up more internal markets. Internal road and rail freight rates, coastal shipping and port charges in Mozambique are still too high and inefficient⁴⁰ – action is needed to bring these down to more competitive regional rates. At least some of the traders in the market will need to have experience and capacity to trade in the overseas market.
- **More storage at all levels** – In Malawi there is considerable storage capacity, primarily within ADMARC, but available for use by NFRA and the commercial sector. However, weaknesses in finance, management and clarity of long-term objectives have meant that this

³⁹ See fig 2.2 for calculation

⁴⁰ Ministerio da Industria e Comercio 2001 – Analise dos custos de transporte na comercializacao agricola em Mocambique.

is not currently being used to reduce volatility and the uncertainty created probably reduces private sector confidence to invest in storage. The TIP evaluation showed that rural households suffer from lack of maize selling by ADMARC – making the rural food supply less reliable and more expensive. This indicates, perhaps, a growing incentive for more on-farm storage.

In Mozambique, a report concluded that priority should be given to improving the efficiency of rural storage, as opposed to the creation of large, formal sector grain collection centres, as the benefits from reduced cost of centralised storage are offset by increased transport and interest costs⁴¹. At farmer level, this requires knowledge and access to appropriate technologies and perhaps marketing opportunities spread more evenly over the year. One of the technologies that is reported as spreading from Malawi to Mozambique is plastered storage bins.

At trader level, the constraints are the cost and availability of seasonal credit (meaning stocks must be turned over quickly), policy uncertainty and capital for storage infrastructure. It is possible that inventory credit could provide an incentive for seasonal storage⁴².

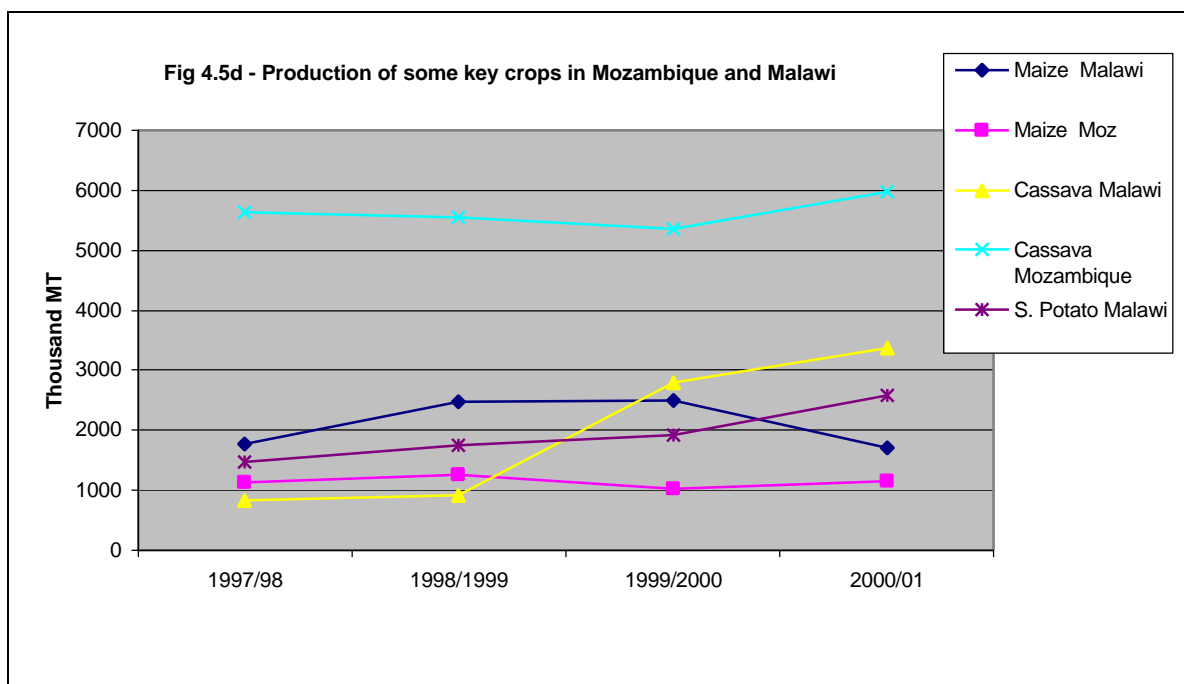
- **Diverse development of Malawi smallholder livelihoods** – A range of income generating activities, including petty trading and higher value cash crops, is needed to enable households to buy both maize and to buy inputs to grow some of their own maize – most households are likely to do both. Ministry of Agriculture figures show a rapid rise in production of cassava and sweet potato⁴³. However, these are often a cash crop for farmers and maize remains the preferred staple in many areas. In addition, liberalisation of the regulations allowing smallholders to grow tobacco has increased the diversity of farm incomes. If Malawian farmers have more income and more savings, they will be less vulnerable to rises in maize prices. Agricultural intensification is possible through both organic and inorganic means – a combination, using a variety of ‘best bet’ technologies, will be needed for most households. The cost of both importing inputs and exporting production remains a barrier – fertilizer prices in Malawi are reported to be 25% higher than neighbouring Zambia, due to a variety of additional costs⁴⁴. Once again, truly competitive port and transport rates would make a significant difference. Initiatives that introduce rural households to the value of foods other than maize, including new ways of cooking them, would also help.

⁴¹ Arndt C. Schiller & R. Tarp F. 1998 – maize markets and rural storage in Mozambique: a spatial and temporal analysis. Development Economic Research group, Denmark.

⁴² RESAL/Tillette de Mautort A. 1999 – Mozambique: Options to Support Grain Marketing Credit. RESAL/ J Coulter et al 1999 – Feasibility of Warehouse and Inventory credit.

⁴³ Some commentators (Stephen Carr *pers com*) consider the increase in cassava and sweet potato production is not nearly as great as the figures show – while this may be the case, it does seem likely that the production of these crops has increased. It should also be noted that the water content of cassava and sweet potato is higher than that of maize – therefore the figures for the different crops are not directly comparable.

⁴⁴ RESAL 2000 – Malawi: Regional Assessment of Agricultural Input prices & Cross-border Movements. Supplementary Annex by Baillie,

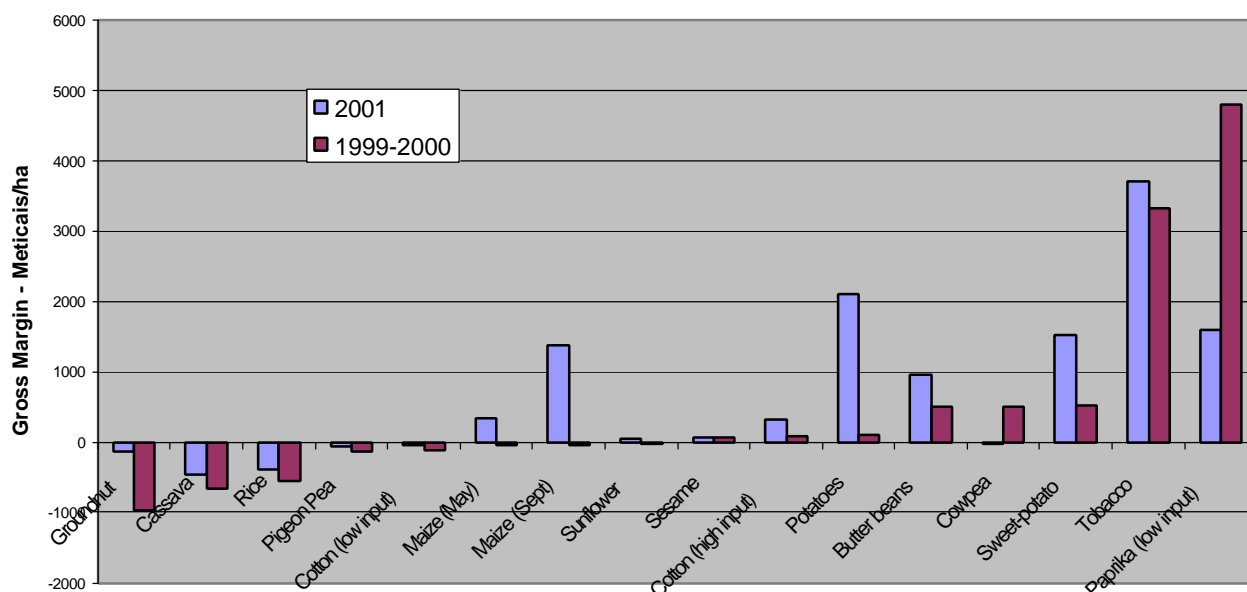


- Crop diversification in Northern Mozambique** – Crop and market diversification in Northern Mozambique could increase average income, but more importantly reduce income volatility. A recent study⁴⁵ looked at various options for diversification in Northern Mozambique. A major conclusion was that the greatest potential for development is through husbandry improvement, improved storage and small-scale irrigation. A range of crops and intercropping combinations were found to have potential, but often only if the opportunity cost of labour was calculated at zero. The study considered the most potential to be:
 - Low external input intercropping combinations involving groundnut and cassava and/or pigeon pea.
 - Low or higher input production of garlic, onions, paprika, (Irish) potatoes and maybe cotton.
 - Low or medium input production of sweet potatoes, dry beans, groundnuts, sesame and tobacco.
 - Low input or intercropped maize, rice, sunflower and pigeon pea.

In figure 4.5g, the gross margins for the various have been re-calculated using the higher prices prevalent in 2001 and with labour at an opportunity cost of 10,000 Mt/day. This shows a number of crops to be viable, but also shows how the varying prices from year to year can change viability. Of particular note is the increased viability of maize at 2001 prices, compared with those prevalent in 1999-2000. In addition to the crops shown, onion, garlic and high input paprika were shown to be very profitable. In Mulanje (Malawi) NASFAM is acting as an intermediary for farmers' associations growing chillies; production is expanding and farmers from across the border in Milange are also starting to grow them. In Nampula and Zambezia, oilseed growing has expanded quite rapidly over a number of years, partly due to the introduction of oil presses; farmers also seem to be adopting sesame quite rapidly. It seems that smallholder farmers in Malawi and Mozambique are very willing to innovate – they need information, planting materials and marketing opportunities.

⁴⁵ RESAL/EC FSU (V. Tickner et Al.) 2001 – Viable Options for Smallholder Crop Improvement and Diversification in Northern Mozambique.

Fig 4.5e - Comparison of gross margins for various crops in Northern Mozambique



46

4.6 Attitudes, policies and practices of Mozambican local government officials

Since the way the law and policies are implemented at the local level has a great impact on trade, it is worth exploring this issue, which appears most relevant on the Mozambican side of the border.

The underlying issue seems to be - **is the Malawi market an opportunity or a threat?**

While the farmers see Malawi as a marketing opportunity, local government officials are more ambivalent – considering local food production primarily as a way of guaranteeing local/national food self sufficiency with exports restricted to surpluses. The danger, as seen by the local officials, is that the purchasing power of Malawi is so high that:

- Mozambican farmers are offered ‘too’ high prices, sell too much and then are hungry later in the year.
- Prices in the urban markets in Mozambique rise too high and cause suffering among net food buyers – who are mainly civil servants and private sector employees.
- Mozambican traders may be pushed out by Malawian traders.

4.6.1 Is ‘overselling’ by small farmers in response to high prices a concern?

‘Overselling’ is an issue that keeps returning; it is a complex area in which some clear thinking and perhaps more field research is required:

⁴⁶ Figures adapted from RESAL/EC FSU (V. Tickner et Al.) 2001.

- **Some farmers certainly sell food after harvest and face hunger later in the season** – but this is not necessarily illogical or misguided – difficult choices need to be made at the household level between the need for cash and the need for food – sometimes a household may need to endure hunger to get access to badly needed cash. ‘Underselling’ can also be damaging to the household livelihood – by making insufficient investment in productive assets such as hoes, bicycles, education, social linkages and healthcare, a household can compromise its future livelihood security⁴⁷.
- **Is there more ‘overselling’ when prices are high?** – There is little data on this – in fact if certain fixed expenditures need to be met after harvest, higher prices may enable farmers to meet these expenditures while selling less! It is easy to jump to the wrong conclusion, as prices are usually high when production is low and therefore the amount left after sales is low – cause and effect can get muddled.
- **Good decision making on the amount sold is the key** – There are several dimensions to this:
 - (a) **Should household members or Government officials take the decision?** – Given the household-specific nature of the analysis and lack of knowledge about the real dynamics, as outlined above, it seems logical that the decision should rest at household level. Yet Government officials consistently believe it is their role either to lecture the farmer, or to control the market to stop the farmer overselling. In discussion, farmers are derisive about a Government official being able to make decisions like this, saying ‘We know more about hunger than Government officials’.
 - (b) **By whom in the family?** – It is possible that decision making by male household heads have a bias towards cash income and against storing food. Although examples of this occurring certainly exist⁴⁸, the author is unaware of evidence that the practice is widespread. Whatever the frequency of gender bias in decision making, there is also a question about how best to tackle the problem. Is it better to remove decision making from the household head to a Government official, or to work on gender issues at household, farmer association and community level⁴⁹?
 - (c) **Information can empower farmers** – Farmer’s decision making may be improved by better information on issues outside their control, such as changes in Government policy that may affect future market conditions. Consistent Government policies that act to reduce market volatility can also improve household-level decision making.

4.6.2 Is the desire to lower urban prices a legitimate reason for restricting cross-border trade?

This is a live issue in Mozambique in late 2001, with demand from the Malawi market causing unprecedented high prices in the cities of Nampula, Quelimane, Tete. People are wondering how high prices will go. There is no doubt that many net food purchasers – mostly salaried employees, but also many vulnerable informal sector households such as hawkers – are suffering from the high prices. There are a number of issues:

⁴⁷ It is also important to remember that for many farmers in Northern Mozambique, maize is seen primarily as a cash crop and cassava as a staple food – although of course there is not a hard and fast division. Having no maize doesn’t mean starvation – nutrition depends on the availability of other crops as well.

⁴⁸ See Plummer P. 1997 – *Womens Voices: Women’s lives in the District of Cuamba, Mozambique and Whiteside 1998* – When the whole is more than the sum of the parts: the effect of cross-border interactions on livelihood security in Southern Malawi and Northern Mozambique.

⁴⁹ See Whiteside 2000 – Report on Gender training course & Gender training course plan for Niassa Farmer Associations. Oxfam, Cuamba.

- **In most years, the majority of the poor benefit from higher prices** – As noted in the stakeholder analysis (see table 4.3), the number of net food sellers in Northern Mozambique in most years is many times higher than the net food buyers – and the rural farmers tend to make up the majority of the poor in Northern Mozambique. Therefore, any policy that reduces the price offered to farmers, in order to provide cheap urban food, is likely to harm the poorer majority. There are almost certainly more efficient ways of relieving the poverty of the smaller numbers of very vulnerable urban food buyers.
- **The situation is less clear in years of crop failure** – In a year of crop failure, it is possible that many rural farmers become net food buyers, perhaps selling a little at harvest time and earning food back through *ganyu* later in the season. Yields and prices of cassava and sweet potato are likely to be important in these years – and the cross-border market of these can become important as well – usually to the benefit of the poorer farmers. The relationship of demand for *ganyu* labour to market prices is another factor – being dependent on the incentive of the slightly larger farmers to produce a surplus; the availability of food or cash to pay for the labour and the supply of labour, which is dependent on the level of desperation of the rural poor in both Southern Malawi and Northern Mozambique.
- **Short term measures can have detrimental long term effects** – It is tempting to ban maize exports at specific times to prevent prices rising excessively for consumers. However, although this may have a short term impact on prices, it can also undermine farmer and trader confidence – resulting in less production of maize or less seasonal storage by traders, which may mean that in the next year of shortage the situation is more severe. It is also likely that, in the longer term, a buoyant rural economy will stimulate the small rural town economy, with benefits for the urban poor.

4.6.3 Should Malawian traders be able to buy direct from farmers within Mozambique?

Section 4.3 came to the conclusion that it was in the interest of the majority of small farmers to encourage the marketing of Mozambican agricultural produce in Malawi. At a local level, Mozambican Government officials tend to try to ensure that as much of the trade as possible is in the hands of Mozambican traders. The reasons for this are:

- **Too high prices** – Malawian traders are consistently criticised by members of the district administration for offering ‘too high prices’ to farmers, and encouraging farmers to ‘oversell’ (this doesn’t seem to be a justified reason – see section 4.6.1).
- **Malawian traders are seen to be unfair competition** – in particular by having access to more financial resources, enabling them to buy more at higher prices and therefore leaving nothing for the Mozambican traders. Malawian traders operating informally may also avoid Mozambican taxes. Some of these criticisms are probably justified – but how should the playing field be leveled?
- **To develop the capacity of the Mozambican commercial network** - even if this means in the shorter term that farmers receive lower prices. Building Mozambican commercial capacity is a worthwhile objective, but should it be pursued at the expense of the poor farmer?

Interviews in border areas suggest:

- **An unofficial ban exists** – Although officially Malawian traders are not banned, it is quite difficult for them to get the required permits – this being handled at provincial level (and some officials still claim approval from Maputo is needed), whereas there is a simplified system for Mozambican traders at district level. Without the required paperwork, the district authorities can decide how strict to be – buying from Mozambican traders is generally

acceptable, but buying from farmers in areas where Mozambican traders are operating is not. In practice, Malawian traders are only really free to operate where and when the Mozambican traders do not have the capacity to handle the market, or in areas remote from officialdom⁵⁰.

- **Conflicting interests** – The Mozambican traders are very active as a group and as individuals in lobbying for their own interests. There is nothing wrong with this, but conflicts of interest arise because there are often very close linkages between local Mozambican traders and district officials:
 - (a) Sometimes Government officials are also traders, or their family or friends are.
 - (b) In a remote small town there is an understandable mutual dependency between Government officials and local businessmen. Traders tend to be the local bar owners, shop owners, the person with transport to take a family member to hospital in times of need, and so on. Traders also need to keep on the right side of the local officials

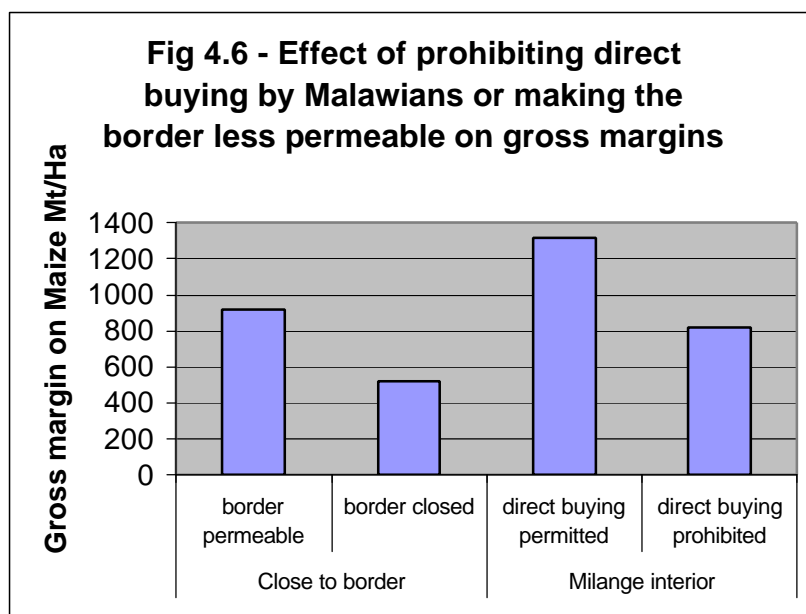
A key lobbying agenda of the Mozambican traders has been to keep out the Malawian traders. Mozambican rural communities have also lobbied the authorities on the need for improved marketing – but this seems to be less influential than the lobbying of traders, except when the situation has become really desperate and produce has been in danger of rotting unsold, as in late 1999⁵¹.

- **Seasonal finance is a constraint** – Mozambican traders do have difficulties mobilising seasonal finance for buying produce and capital for transport and infrastructure. Various Government and NGO schemes have been run to provide finance but repayment rates have sometimes been very poor or have been used by Mozambican traders for activities other than trade. Some schemes such as those run by AMODER and GAPI are considered to have greater potential for sustainability and may receive additional funds in future through the EU⁵².
- **Monopolistic tendencies** - there is a tendency for the Mozambican traders to form a cartel, with informal price fixing and agreements on whom should concentrate on which areas. The Malawian traders, if permitted, tend to break this cartel and, in the examples encountered, offer prices around 30% higher.

⁵⁰ Apparently the Malawian Road Transporters have complained officially about the harassment they feel they receive from Mozambican police and that this was communicated to the Mozambican Embassy in Malawi; they did not however feel that their complaint was responded to.

⁵¹ It should be noted that, in an interview with the author, the current Governor of Zambezia expressed a somewhat different attitude to the District officials, being clear that the priority is efficient marketing to benefit the farmer.

⁵² Mozambique Ministry of Industry, Commerce and Tourism 1999 – Opcoes Financeiras para a Comercializacao Agricola em Mocambique (Financial Options for Agricultural Commercialization in Mozambique). AMODER and GAPI signed new 3 year cooperation agreements with the EC FSU in 2001 (the AMODER agreement is co-funded with Ireland).



53

The figure shows that gross margins are higher in the interior, where more fertile land tends to give higher yield. However, margins fall markedly if Malawian traders are excluded and Mozambican traders form a cartel. Although margins are generally lower in the immediate border area because of lower yields, these areas are less dependent on traders, being able to market into Malawi directly across the border. If the authorities manage to prevent this 'bicycle trade' and make these border farmers also dependent on a cartel of Mozambican traders, margins here will be the lowest of the lot. In some cases, the situation might be even worse than the figure shows – a ban on Malawian traders can mean the difference between having or not having a trader come to your village at all. Community interviews show that farmers don't mind whether Mozambican or Malawian traders come to buy – what they are interested in is price and reliability.

It seems reasonable to encourage the development of Mozambican traders – the question is whether this is best achieved by creating a level playing field with Malawian traders, or by restricting the activities of the Malawians⁵⁴.

Local government and the traders seem to be in favour of a model in which the Mozambican traders buy direct from the farmers and then sell either to Malawian traders or to the warehouses of ICM/V&M. Mozambican-based traders probably have a comparative advantage in purchasing in Mozambique – and Malawian traders an advantage in marketing within Malawi, so this type of market structure may develop naturally. On the other hand, imposing it has very real dangers of creating cartels, which reduce the price paid to Mozambican farmers and increase the price paid to Malawian consumers, thus disadvantaging the largest number of poor people.

4.6.4 Conclusion

Mozambican District level officials and politicians need to have a broader understanding of the potential benefits of cross-border trade, within a more diverse and consistent

⁵³ For figures used see Annex 7.

⁵⁴ AMODER with support from the EC FSU have organized a meeting between Mozambican and Malawian traders – helping to break down the 'us' and 'them' attitudes (AMODER 2000 – Oportunidades do Comercio Transfronteirico). There have been suggestions that Malawian traders should be invited to the big meetings that take place at the beginning of the marketing season in Cuamba and Malema (J. Garrido-Mirapeix *per.s com.*)

marketing environment. They need to be made aware of what is the appropriate supporting role for the state, and the dangers of inappropriate intervention. It is necessary to tackle the myth of ‘too high’ prices being offered to farmers and of ‘overselling’.

Although ‘overselling’ may be a reality, the dynamics are complex and livelihood security is only likely to be made worse by Government officials trying to interfere. Consistent policies, clear information and gender-sensitive community and association development are more likely to improve household-level decision making, than directly intervening in the market to prevent ‘overselling’.

Although there may be circumstances in which specific time-bound restrictions on exports could be beneficial to the poor, it seems unlikely that this would be achieved in practice:

- **The future uncertainty caused by such actions would probably undermine commercial confidence and damage endogenous systems of risk reduction, such as storage, which would have a negative impact on the poor.**
- **Current knowledge and decision making processes, which tend to serve the interests of the less poor, would probably result in far from ideal decision making**

Given the tendency of traders to form cartels, and the lack of incentive for the local administration to prevent these, it seems some involvement by Malawian traders, including the possibility of them buying direct from farmers, would be in the best interest of the Mozambican farmers and Malawian consumers. Effort should be concentrated in enabling Mozambican and Malawian traders to compete on a level playing field and with minimum barriers. This will probably involve improved access to credit for Mozambican traders and simplified registration for Malawian traders at district or frontier post level.

4.7 Impact of starter packs on cross-border marketing

In the early-mid 1990s, the Malawi Government came under pressure, linked to structural adjustment, to phase out subsidies on fertilizer and input credit. However, it proved uneconomic for most smallholders to buy sufficient expensive free market fertilizer⁵⁵ to maintain maize production. By the late 1990s, it seemed as if Southern Malawi was facing a structural deficit in maize production and that famine was looming. An ambitious programme was conceived to distribute a starter pack of 1/10 ha worth of fertilizer and seed to every smallholder in Malawi⁵⁶. The main objective of the programme was to avert an immediate production crisis, although there were additional aims, including diversification through increased use of legumes and introducing smallholders to fertilizer use.

There were some warning voices of the potentially negative impact of the programme on the market for Northern Mozambican smallholders, however these appear to have been dismissed, because it was assumed that, even with the starter pack, there would still be a maize deficit in

⁵⁵ The reason for the high price of fertilizer in Malawi has been commented on in a number of reports – inefficiency in the Nacala corridor, lack of open competition in regional trucking fleets and high costs of seasonal input credit have been identified.

⁵⁶ It is interesting that only in the Phalombe:Northern Milange case study was the selling and use of starter pack seed in Mozambique reported. Here the communication was good and Mozambicans turned up to buy on the distribution day! (Annex 4)

Southern Malawi, and therefore still a market for Mozambican maize⁵⁷. It seems that the probable impact on Northern Mozambique of the starter packs/TIP was not sufficiently analysed in the proposals, or included in the monitoring and evaluation.

As it happened, the two years of the starter pack coincided with generally good harvests in both Northern Mozambique and Malawi – due to both the weather and the starter pack inputs (in Malawi). As a consequence, there was surplus production and the cross-border trade collapsed, both in terms of price and volume. Southern Malawian households benefited from additional home production, but Northern Mozambican farmers suffered from very poor prices, or a complete lack of buyers – more remote areas were left with unsold grain, some of which rotted.

For the 2000/01 season, the starter pack was scaled down to target about 50% of the poorer households in Malawi. Early rains, coupled with late delivery of the packs and then poor growing conditions later in the season, meant that the inputs had negligible impact on overall production.

In 2001/02, the plan is to target the inputs at around 30% of households. The longer-term plan is to target a gradually smaller percentage – with perhaps the objective of reaching 10-20% of households, but perhaps with a larger pack - sufficient for 1/4 ha – with the idea that this might help households grow out of poverty.

In order to understand the probable impact of the starter packs on Northern Mozambican smallholders, it is worth considering some rough figures:

Estimated impact of Starter Packs on Northern Mozambique

- **Extra production due to SP1 & 2** – Starter packs in Southern Region and perhaps half of Central Region would have had most impact on Northern Mozambique's market – this is 69% of Malawi's rural population, equivalent to 1.9 million packs. Estimates of the production impact per pack vary⁵⁸ - 150 kg extra per household is used in these calculations. Therefore, in the Southern and half of the Central Region, the additional production was around 285,000 MT in each year.
- **Proportion of extra production due to SPs** – Estimated Malawian maize production in 1998/99 and 1999/00 was 2.5 million MT, which compares with an average production of 1.7 million MT in the period 1990-2001. Therefore production was 800,000 MT above average - for Southern and half of Central Region, this translates to about 500,000 MT above average. Therefore, in Southern and half of Central region, about 285,000 MT (60%) of the additional production may have been due to the starter packs and 215,000 MT (40%) due to the favourable weather.
- **Effect on maize market** – The effect of the extra production on regional market supply and demand is not straightforward⁵⁹. In the absence of information on the elasticity of supply

⁵⁷ Similar arguments also apply to the APIP scheme, in as much as the low repayment rate has often meant that this is in effect an input subsidy to many participants.

⁵⁸ Farmers estimate that the production obtained from the starter pack was 3-4 50kg bags. However, it is unlikely that all this production was **additional**, given the constraints of land and labour faced by many households – inputs are not the only limiting factor. Other estimates (Statistical Services Centre 2001a) are 25% of total smallholder production for SP1 and 15-30% for SP2 and 3.5 extra bags for SP1 and 2.7 extra bags for SP2. Harry Potter (*pers com 2001*) SP1 – 185kg, SP2 – 175kg.

⁵⁹ Maize has the lowest market ratio of the Malawi smallholder crops at about 20% (Nyirongo 2001). A proportion of the additional household production will have gone to increased consumption and the fall in the price of maize

and demand, it is perhaps safest to note that the change in production of 285,000 MT is very significant in comparison to estimates of cross-border trade, which vary from 60-150,000 Mt in high volume years such as 1997, to 25-50,000 Mt in low volume years, such as 2000. Given these magnitudes, it seems likely that the change in production had a major impact on the changes in volume and price experienced in 1999 and 2000.

- **Impact on Mozambican smallholders** – section 4.5 estimates that the collapse in price and volume in 2000 amounted to a lost revenue of about \$4.4 million for Northern Mozambican smallholders – perhaps \$7 for each of 630,000 households in the production area. Perhaps 60% (\$2.6 million) of this lost revenue was due to the starter packs and 40% was due to the favourable weather.

In very broad terms, SP1 & SP2 cost \$27 million per year and produced additional production within Malawi of 420,000 MT with a retail value of \$54 million (\$0.13/kg). A negative impact, however, was that perhaps 613,000 households in Northern Mozambique as a consequence lost out on sales to a value of around \$4.2 per household, amounting to a total loss of \$2.6 million.

An important conclusion of the evaluation of the programme⁶⁰ was that a major impact on food security was not primarily from households producing more food to eat, but that the increased production reduced retail maize prices and thus enabled food deficit households to buy more food. **This is basically similar to the benefit obtained from Mozambican grown maize reducing prices in Malawi.**

Future prospects

The future for starter packs or targeted input programmes is not clear – the 2001 evaluation recommended returning to a universal programme whereas the current direction is towards more targeting and perhaps a larger pack, suitable for 1/4 ha. What would be the impact on cross-border trade and Northern Mozambique livelihoods of these two approaches?

Potential Impact on Northern Mozambique to successors of SP/TIP

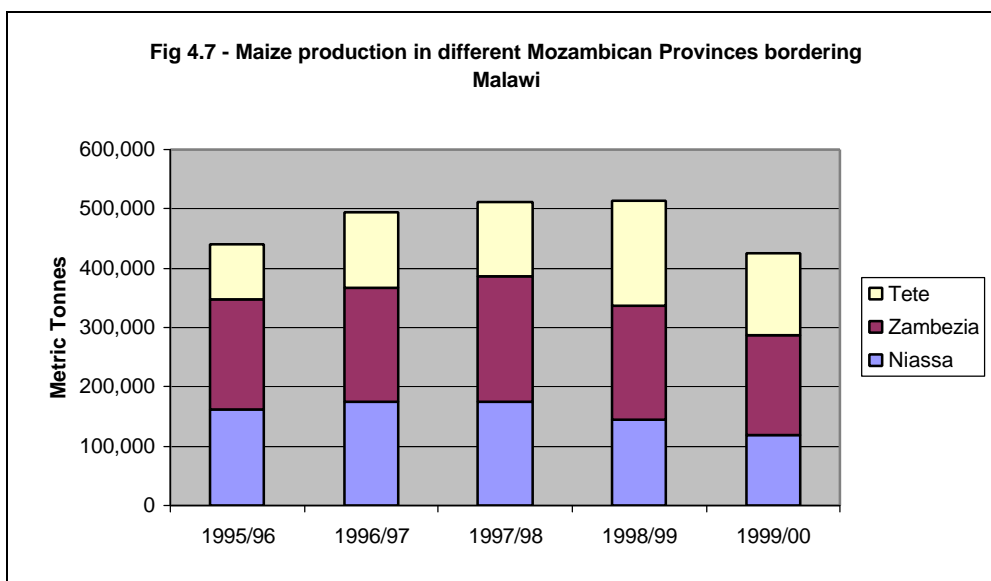
Universal starter pack – The potential impact could be similar to that for SP1 and SP2, although in most years the weather is unlikely to be as good, so the actual impact is likely to be less, but still significant.

Targeted inputs – for 340,000 people for 1/4 ha – additional production per household may be 250% of that achieved in SP1 & SP2 (125 kg) = 310 Kg per household = 105,000 MT – perhaps 73,000 MT in Southern Malawi. This is about 1/3 of the impact of the starter packs, but in a year of good harvests this could still have a significant impact on cross-border trade.

The extra production due to the starter packs was equivalent to over 50% of the annual maize production of the Mozambican provinces bordering Malawi (see Fig 4.7 – 400-500,000 MT). A future targeted input programme is likely to contribute extra production equivalent to 15-20% of total maize production in the three provinces.

may also have increased purchases for consumption. The relationship on supply and price in any one year is also unclear – sometimes households may need to raise a certain amount of cash from sales, therefore needing to sell more when prices are lower – a temporarily backward-sloping supply curve.

⁶⁰ Statistical Services Centre 2001(a)



Conclusion

Decisions in Malawi on the future Targeted Inputs Programme and APIP need to include analysis of the potential impact on cross-border trade and therefore on Northern Mozambican farmers. This cross-border impact should also be included in monitoring and evaluation.

4.8 Malawi Strategic Grain Reserve

The Malawi Strategic Grain Reserve was mainly purchased inside Malawi in 1999 at around MK 7.80/kg, although a considerable proportion probably came informally from Mozambique. Attempts to sell it off cheap to the WFP in Mozambique in 2000 led to accusations of 'dumping'⁶¹. The majority of it was eventually sold to Kenya in early 2001 at around MK 2-3/kg, just as it became apparent that the 2000/01 harvest was likely to be poor. Realization of the lack of supply in mid 2001 caused maize prices to rise extremely rapidly and controversy abounded in the Malawi press about who was responsible for selling the grain reserve to Kenya and what had happened to the money from the sale. Concern about an acute shortage of maize forced the NFRA/ADMARC to buy 150,000 MT from South Africa in September 2001 at around MK 15/kg.

The impact of the NFRA's activities from 1999 to 2001 were:

- **Beneficial** to cross-border trade in late 1999, although the full benefits of this were not felt by Mozambican farmers due to restrictions on the activities of Malawian traders in Mozambique meaning the prices did not rise like they did in Malawi (see fig 4.5c).
- **Detrimental** to the Malawian consumer, as it caused prices to rise in 1999. In addition, the maize bought in 2001 is unlikely to bring the current high prices down, because of the need to recoup the high price of purchase and transport from South Africa in a year of regional deficit.

⁶¹ Ministerio da Industria e Comercio 2000 – 'Dumping' de milho Malawiano no mercado de Mocambique: perspectivas e opcoes.

- **Detrimental** to the Malawi exchequer, as the maize was bought in a relatively expensive year, sold cheaply to Kenya in early 2001 and then replaced at a much higher price in late 2001.

In some ways, NFRA/ADMARC face the worst of both worlds – they are supposed to operate commercially, but are still expected to have a social role, they are vulnerable to political pressure and are not transparent. The SGR cost a lot of money and yet harmed Malawian consumers in 1999 and failed to protect them in 2001. A well-managed fund probably could have bought cheaply in 1999 and 2000 with little impact on consumers and by selling at a moderate price in 2001 stabilized the price at great benefit to Malawian consumers at little overall cost. The impact on cross-border trade would also have been favourable, being beneficial in terms of volume in 1999 and 2000 and having little impact if sold gradually in 2001.

A key lesson is that there is not yet the capacity to manage such a reserve in the best interests of the poor.

Conclusion

Decision making concerning the Malawi Strategic Grain Reserve need to be more transparent and based on better analysis – this analysis needs to include an understanding about the potential impact of both buying and selling by the SGR on cross-border trade.

4.9 Trade balance, currency and the cross-border consumer goods trade

It is helpful to understand the link between agricultural commercialization and the development of the consumer goods network: one cannot develop without the other, as there will be either no money to buy with, or no incentive to produce and sell. Mozambican crop sales finance the purchase of consumer goods and many of these come from Malawi (see Table 4.1). For cross-border trade, changes in trade in one direction can have a knock-on impact on trade in the other direction. It may be helpful to keep some sort of balance between the trade in each direction to avoid additional currency exchange costs (see 4.9.2).

4.9.1 The consumer goods market

Research in 1998⁶² concluded that 'Malawi is the main source of consumer goods for up to eight million Mozambicans in Niassa, Nampula, Zambezia and Tete Provinces – for instance supplying an estimated 80% of Zambezia's consumer goods. This trade is very important, not only for the thousands of small traders, but also making up 30-50% of Southern Malawi's wholesale turnover'. These consumer goods were both made in Malawi and imported through Mozambique to Malawian wholesalers and sold retail in Mozambique.

Although quantitative figures are not available, it seems that, despite the fact that consumer goods from Malawi are still widespread, there is now a greater range of and competition from goods from other sources. There are perhaps several reasons for this:

⁶² Whiteside 1998 – When the whole is more than the sum of the parts: the effect of cross-border interactions on livelihood security in Southern Malawi and northern Mozambique. See also the annex of this report by Nina Bowen.

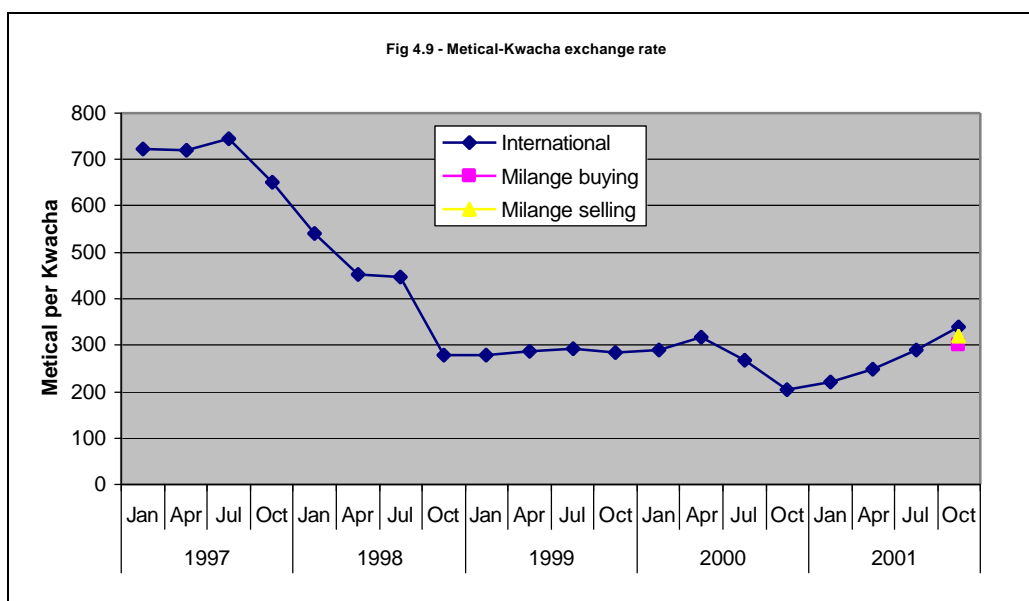
- **Wholesale capacity and road quality inside Mozambique has increased** – for instance in Western Zambezia there are retailers who buy from wholesalers in Nampula, Maputo and Quelimane, as well as others who buy from Malawi.
- **Mozambican withdrawal from COMESA and improved customs capacity** – Some consumer products from Malawi now have import duty similar to that on goods imported from elsewhere, whereas when both Malawi and Mozambique were COMESA members, Malawi was at an advantage compared with non-COMESA members. Zimbabwe, which has a bilateral trade agreement with Mozambique, is now at an advantage compared with Malawi or overseas importers. Improved customs control seems to be resulting in more consumer goods crossing the border officially, although in some areas there is still considerable informal trade. Tariff levels will decline under the SADC trade protocol over a period of eight years, but are currently biting.
- **Fall in the Zimbabwean dollar** – this makes some Zimbabwean products very cheap in Mozambique and has also led to accusations of ‘dumping’.

It seems likely that the proportion of consumer goods supplied through Malawi to Mozambique will decline as Mozambican commercial capacity increases – this does not necessarily mean the trade will decline in absolute terms if the Mozambique economy continues to grow. Other issues like currency exchange costs may also become a factor.

Petty trading between Malawi and Mozambique is still a very important source of livelihood not only for wholesalers and larger retailers, but for a very large number of small rural ‘part time’ traders. In Phalombe/Northern Milange border area an estimated 20% of households get at least part of their livelihood from such trading.

4.9.2 Currency and the local balance of trade

Currently, much of the trade in some border districts of Mozambique is carried out in Malawi Kwacha – although many traders are happy to accept either Kwacha or Metical. Therefore a Milange farmer will sell his/her harvest for Kwacha, the family will keep what little cash they have in Kwacha and make the most of their consumer purchases in Kwacha. Many of the population were refugees in Malawi during the civil war and traditionally had a high degree of confidence in the value of the Kwacha. This was shaken by the devaluations in 1998 and 2000, although the Kwacha has since strengthened.



63

Table 4.9: 1st week October 2001 exchange rates

Location	Mt buying	Mt selling	Spread	Local mid-point	International mid-point
Zambezia - Milange Sede	310	333	7%	322	340
Niassa – Entre Lagos	305	315/320	4%	311	340
Niassa – Mandimba	300	315	5%	308	340
Tete – Zobue	310	325/330	6%	319	340
Tete - Calomue	305	320	5%	313	340

The figures for October 2001 show that the spread between buying and selling by local money-changers was about 5%. It also shows that the local money-changers valued the Kwacha at 9% below the international rate – perhaps indicating a slight local shortage of Metical compared to the Kwacha.

The author is unaware of any research showing how use of the two currencies affect trade decisions at a local level. Some general suppositions can be made:

- Since changing money cost money (5% each time), everyone has an incentive to try and balance the currency coming in and out and so reduce the amount of exchange needed:
 - (a) A maize trader selling in Malawi and receiving Kwacha would like to buy maize in Kwacha; a maize trader selling in Mozambique and receiving Metical would like to buy in Metical.
 - (b) A farmer receiving Kwacha would like to buy consumer goods in Kwacha and one receiving in Metical would like to buy consumer goods in Metical.
 - (c) A consumer goods retailer who buys wholesale in Malawi would prefer to receive Kwacha and one that buys in Mozambique would prefer to receive in Metical.

⁶³ The international rate is calculated by comparing the two currencies' internationally quoted exchange rate against the US\$; the Milange buying and selling rate is the local money-changer rate in Milange Sede central market – on October 1 these were 340, 333 and 310 Metical to the Kwacha respectively.

Presumably in each transaction, when preference for currency of choice differs, one party can insist or force an unfavourable exchange rate on the other (to pay for later currency exchange).

- There is therefore an incentive for a transaction chain to stay in a particular currency; if farmers are receiving Kwacha and buying consumer goods in Kwacha, then the retailers can either buy in Malawi or change the money into Metical (minus 5%) and buy from a Mozambican wholesaler. This will make the Mozambican wholesaler slightly more expensive.
- If there is an imbalance among the majority of transactions – for instance if most farm sales are made in Kwacha, but most wholesale consumer goods are bought in Metical, someone in the chain – perhaps the retailers – will be changing Kwacha into Metical. The money-changers will not have people changing in the opposite direction, so the Metical will be in short supply. The money-changer will probably have to travel to Malawi to change the Kwacha into dollars and then return to Mozambique to change the dollars into Metical – at each stage there will be some exchange losses. This cost is likely to create a divergence between the local exchange rate and the international exchange rate and will tend to act as a disincentive to trade in one direction and an incentive in the other, in the process, tending to right the local trade in-balance.

It is not known to what extent local exchange rate in-balances do form a barrier to trade. However petty traders in Northern Milange did record that buying goods from wholesalers in Mozambique and selling in Malawi had become unprofitable because of the need to change the Kwacha back to Metical (Annex 4).

In 1998, it was reported that the two countries' central banks had agreed a system for repatriating the bank notes for each country – effectively making the Metical and Kwacha exchangeable through the local banking system. However, it seems that this agreement has not yet been implemented. Whether implementing the agreement would make a difference to trade depends in part on whether the costs of the bank-based system are lower than that of the local money-changers.

4.10 Prioritizing Marketing Investment Options

There are a range of different interventions that are needed to improve agricultural marketing in Northern Mozambique in general, and cross border trade with Malawi in particular:

- Lowering transport costs – both through improved infrastructure and removal of other barriers that raise costs.
- Reducing barriers to cross-border trade – particularly unofficial barriers.
- Developing market infrastructure in Northern Mozambique – physical, institutional and social.
- Developing farmer capacity and market linkages – market information, associations, outgrower schemes, extension advice etc.
- Improving trader capacity.

4.10.1 Lowering transport costs

These have been the subject of a major recent report which concluded that costs are still much higher than necessary, and that this is not only due to poor infrastructure, but also a range of

restrictive regulations⁶⁴. Stakeholder analysis indicates that lower transport costs would benefit Mozambican farmers, Malawian consumers and Malawian farmers.

It is important that decisions on capital investment and rehabilitation of transport infrastructure and maintenance are correctly prioritized, taking into account agricultural marketing needs. The delays in completing the rehabilitation of the key 77 km section of the Nacala railway line between Entre Lagos and Cuamba, and the privatization of the line's management in two parts perhaps indicates that the political will to achieving this has not always been present. The challenge is to ensure that decision-making is improved in future.

4.10.2 Reducing Barriers to Cross-border Trade

Official barriers in the form of taxes may reduce trade but produce necessary revenue for Government; official barriers are also being used to protect sensitive industries, such as sugar. The Mozambican Ministry of Agriculture and Rural Development, with technical advice from MSU, has had a useful input into which tariffs should be phased out sooner or later within the SADC free trade protocol.

However it seems that the SADC trade protocol is going to have less impact in the short and medium term than the new trade barriers created by Mozambique's withdrawal from COMESA. Anecdotal evidence suggests that COMESA tariffs have reduced formal trade and increased smuggling – the main loser is the Mozambican producer and the Mozambican consumer. There is some increase in revenue for the Malawi and Mozambican Governments, but increased costs on patrolling for smugglers and potential harassment or corrupt extortion of money from border dwellers.

Unofficial barriers include the difficulties Malawian traders face in getting permits to buy from rural communities and the corrupt payments some officials extort from ambulant traders and those trying to buy or sell their own produce. The case studies show a worrying level of extortion from Malawians when they enter Mozambique, such that some now prefer not to enter. This includes multiple demands for bicycle taxes, the seizing of bicycles and goods and on-the-spot fines – nearly always taken without a receipt. Unlike official border taxes, the money does not benefit the national budget. Although such corruption is unofficial, it seems probable that the ambivalent attitude of some Mozambican authorities to the activities of Malawian traders, leaves them vulnerable to the activities of some corrupt officials, or people posing as officials.

4.10.3 Developing market infrastructure in Northern Mozambique

There are a number of different approaches⁶⁵:

- Enabling the endogenous growth of periodic markets;
- Rehabilitating rural '*lojas*' – is the key problem that ownership is not clear?
- Investing in '*feiras*' on the Mozambique side of the border;
- Traders positioning 'buyers' in certain communities and then collecting by lorry;
- Farmers Associations bulking and negotiating with a trader;
- Contractual agreements with companies – which are common with cotton;
- Malawians buying small quantities from the farm and transporting it by head or bicycle;

⁶⁴ Ministerio da Industria e Comercio/FAO/EC-FSU 2001 – Analise dos custos de transporte na comercializacao agricola em Mocambique.

⁶⁵ This is an subject that is currently being studied with the idea of establishing a pilot Project in Milange District – see Ministerio da Industria e Comercio/FAO/EC-FSU (Tickner et Al): Forthcoming.

- Farmer transporting by head or bicycle to warehouses or other buying points in Mozambique or Malawi.

Much of the commercial infrastructure in Mozambique, particularly rural trading shops, have not been rehabilitated since the war. In many cases semi-formal markets have sprung up at key points. With stalls made from local materials, the investment is fairly minimal and facilities for storage of produce is often non-existent – but the commercial activity is vibrant. An interesting phenomenon that seems to have spread endogenously from Malawi is ‘periodic markets’ – with perhaps two market days per site per week and with different sites having different market days. This provides an opportunity for greater concentration of buyers and sellers on market days, than is possible with a daily market.

At the moment, periodic markets are mainly involved in consumer goods selling, although small quantities of agricultural produce may be exchanged – usually by farmers who want to raise a small amount of money to make a purchase. The bulk of agricultural marketing is done separately from these markets, with traders either coming directly to the village, or farmers taking produce across the border, or to the warehouse of a large trader. It would be possible for the periodic markets to develop more into a bulking point for agricultural produce - this might lower transaction costs and prolong the marketing season, but it might also replace the role of farmers’ associations.

Periodic markets also provide an opportunity for information dissemination – for instance HIV/AIDS awareness – which is an area that could be explored further.

Table 4.4 noted that the border authorities are currently quite relaxed about informal border crossing, often by Mozambican border communities buying consumer goods in markets in Malawi – but some Mozambican officials consider it a temporary necessity, to be stopped once there is sufficient commercial capacity inside Mozambique. The new ‘*feira*’, opened between Milange Sede and the border using FARE loan funds, apparently has this objective – and some officials are saying that cross-border transactions will soon need to be restricted, because unless the competition from Malawi is reduced, the Mozambican traders will not be able to repay their loans. More *feiras* are apparently planned near other popular border crossings in Zambezia and Niassa.

It seems unlikely that constructing more *feiras* to compete with Malawian markets immediately across the border is the most logical priority – they basically create extra commercial capacity for communities that are already well served. Border areas seem to be being prioritized for investment in order to compete with Malawian markets. This may be at the expense of the interior, where commercial infrastructure is much weaker and yet potential productivity may be higher due to the greater availability of fertile soil. There is a danger of investment priorities being driven by national pride, rather than community need or commercial viability.

Another approach is to ensure that the institutions needed for fair and efficient trade are in place. In both countries the legal system for enforcing contracts and arbitrating in commercial disputes, particularly in rural areas, are weak and don’t encourage confidence. Many Mozambican farmers complained that they did not trust the balances of Malawian traders. With time a weights and Measures enforcement system will be needed in rural areas.

4.10.4 Developing farmer capacity and market linkages

There has been major investment during the last 5 years establishing farmer associations to negotiate with Malawian and Mozambican traders. This work was largely started by CLUSA, but many other NGOs have also adopted the approach. There have been considerable successes, with rapid expansion in the number of associations and consequent increase in human and social capital. However the limitations of the approach need also to be recognized:

- Farmer Associations are only one of a number of approaches to building market linkages, as this section (4.10) indicates;
- Farmer associations seem to provide most value added in remote areas and years when it is neither a complete buyers or sellers market. Thus farmer associations seem to have been less successful:
 - (a) Near the border, where marketing (except perhaps for specific high value crops) is easy;
 - (b) In many areas in 2001 where maize was sold with rapidly rising prices without the intervention of associations;
 - (c) In some cases in 1999 and 2000, where surplus production in Malawi and falling prices meant some traders reneged on deals and could buy easily all they needed without going through associations.
- With the rapid expansion of Farmers Associations there has been a temptation to concentrate on quantity – with the difficult years of 1999, 2000 and 2001 there is a need for some consolidation and concentration on quality.
- Farmers' associations also provide an opportunity to lower transaction costs for a whole range of other interventions, most notably extension. This can provide much more value added, but can divert attention from focusing on a core activity like marketing. Strategic choices need to be made.
- Farmers' associations do not usually include all households or cover every community. There is an important debate about who is included and who is excluded, gender relations and the impact of the association on the wider community.

Many organisations have worked to provide market information, including cross-border information; this seems to have benefited some farmers associations, but it is not clear that the information has so far been more generally useful to farmers or traders. This is discussed further in section 7.3.

4.10.5 Improving trader capacity

The case studies show that:

- There is some increase in Mozambican trader capacity, but that it is still weak and some areas would not be covered without Malawian traders;
- There is a tendency to fix prices if there is no competition from Malawian traders;
- Mozambican traders feel they are disadvantaged by lack of access to seasonal credit;
- Farmers seem to want to sell over a longer period of the year – not just a 'commercialization campaign'.
- The marketing environment encourages an opportunistic approach by traders, rather than building more stable commercial linkages between farmer, trader and purchaser.
- The Mozambique rural population would like some of the produce sold to be stored locally, so that they can buy it back if necessary later in the season. The current unstable environment does not encourage this.

There is clearly a long term task to support the development of trader capacity able to create a more stable marketing environment.

4.10.6 Conclusion

Agricultural market development in Northern Mozambique needs to be tackled strategically, on a District, Provincial and Regional level, recognizing that

- (a) priorities for investment need to be set;**
- (b) there are many components which need to be complementary;**
- (c) different stakeholders have different roles;**
- (d) cross-border marketing needs to be an integral part of a larger picture.**

Mozambique should re-evaluate its withdrawal from COMESA in light of its negative impact on cross-border trade with Malawi.

5. CROSS-BORDER LABOUR EXCHANGE

5.1 Introduction

The most common type of cross-border work is casual agricultural labouring known locally as 'ganyu'. Typically this involves clearing land ready for cultivation or hand cultivation and construction of ridges or weeding the growing crop. Payment is usually on a piecework basis – with an amount negotiated for a certain area of ground. Payment can be in cash or in food – usually maize. Malawians are reported to prefer to be paid in food, while Mozambicans prefer to be paid in cash. It seems that women often receive less payment than men – even for what appears to be the same task.

The most common *ganyu* is on the fields of slightly better-off smallholders, however there is also some casual work on larger commercial farms and estates. The term 'ganyu' is also sometimes used for other types of unskilled or semi-skilled piecework, such as house construction (usually done by men) and domestic tasks such as fetching water or pounding maize (usually done by women).

Ganyu is a coping strategy for poverty and hunger – it tends to be done as a last resort and can be considered shameful. *Ganyu* is often negotiated through relatives or other contacts and might involve mutual social obligations. Its importance should not be underestimated – it is usually the second most common and important source of livelihood after agriculture in both Southern Malawi and Northern Mozambique. It is especially important as a source of livelihood for the poor⁶⁶ and during the hungry period and in years of poor production. The need to do *ganyu* to satisfy an immediate need for food can reduce labour availability to work on the family farm at key labour intensive times of the year – creating future livelihood insecurity. Therefore *ganyu* is a two edged sword – it is a vital coping strategy, but may have detrimental social and future livelihood consequences.

5.2 Current dynamics of cross-border ganyu

Field research (Annexes 1-4) showed results consistent with that found in 1998⁶⁷:

- **Ganyu is important** – although people much prefer not to have to do *ganyu*, the opportunity to do it if necessary is very valuable. Both same-country and cross-border *ganyu* opportunities are important to communities on both sides of the border, with cross-border opportunities particularly important in some, but not all, Malawian communities. Most case study communities in Malawi ranked the opportunity to do *ganyu* in Mozambique as the second most important benefit of being close to the border – after buying food in Mozambique.
- **For Malawians, the importance of cross-border ganyu varies** – with 70% of households reporting doing it in some Phalombe communities (Annex 4). However, some Mulanje communities put cross-border *ganyu* in third place after *ganyu* for neighbouring Malawian smallholders and *ganyu* on the local tea estates. Some Malawians were reported going 100km into Mozambique for *ganyu*. Some communities reported how cross-border *ganyu* is typically done by men, as involves staying away and often opening up virgin land in Mozambique which is considered too hard for women – this puts female headed households at a

⁶⁶ See Whiteside 2000 – *Ganyu* labour in Malawi and its implications for livelihood security interventions and Statistical Services Centre 2001(b) – a Qualitative Study of Markets and Livelihood Security in Rural Malawi.

⁶⁷ Whiteside 1998 – When the whole is more than the sum of the parts.

disadvantage. The proportion of people doing cross-border *ganyu* varies both from year to year and according to the other opportunities available to different communities and households. Good harvests in 1999 and 2000 may have masked a more worrying trend – there is some suggestion that overall availability of *ganyu* opportunities is falling in Malawi, while demand is rising. This may mean that *ganyu* becomes a less reliable coping strategy and cross-border opportunities become more important. Certainly, with the poor harvests in 2001, Malawians were concerned about whether they would be able to find sufficient *ganyu* opportunities either in Malawi or Mozambique, and this opinion was echoed on the Mozambique side of the border. A glimmer of hope came from one village in Mulanje, which claimed that their adoption of more sustainable agricultural technologies had reduced the overall need to go for *ganyu* (Annex 2).

- **Mozambicans who cross the border to work are more likely to work on estates** – those working on smallholder *ganyu* tend to remain in Mozambique and profit from the higher rates of pay. In the Phalombe area, Mozambicans reported doing non-agricultural work for Malawian families – building houses or domestic work – thus Malawi seems to be offering some off-season work opportunities.
- **Payment rates are generally higher in Mozambique** – or there are additional benefits in Mozambique, such as being fed while working. This reflects the generally greater demand for labour in Mozambique and the greater supply in Malawi. Payment rates however, need to be balanced against other factors:
 - (a) Doing *ganyu* near home is generally preferable, as one can keep an eye on the family and also do some work on one's own fields.
 - (b) People from Mulanje reported being harassed by officials in Milange when doing *ganyu* – so they would prefer to work in Malawi, if possible.
 - (c) Unscrupulous employers in either country can cheat people out of payment – however this was reported to be more common in the Mwanza area on the Malawian side of the border – meaning that people generally preferred to do *ganyu* in Mozambique if possible.
- **Ganyu payment rates vary from year to year** – and payment rates (in maize equivalents) in Mozambique do seem to be fairly sensitive to supply and demand of labour and food – being in October 2001 already half that of 1999 and 2000 due to the poor 2001 harvest. This was expected to fall lower, as the cultivation season progressed, with lots of people in need of food and few farmers with surplus production or cash to pay (Annex 2). This is possibly at variance with the situation inside Malawi, where the TIP evaluation reported that the extra production from the starter packs had not had an impact on *ganyu* payment rates – perhaps reflecting slightly different dynamics of supply and demand.

5.3 Cross-border wage labour

Although statistics are few and far between, it does seem that there are a significant number of Mozambicans in more permanent employment in Malawi – perhaps reflecting the greater opportunities for more formal sector employment in Malawi over a number of years, as well as the Mozambican presence in Malawi during the war in Mozambique. It is not clear to what extent these employees are now effectively naturalized in Malawi or will return, perhaps on retirement. Mozambicans are reported to be quite prominent among those taking up tenancies on Malawian tobacco estates – it being claimed that Malawians are not prepared to accept the very low rates of return offered.

Some Malawians are also employed in Mozambique, where demand for skilled labour is currently high. However the regulations can also be interpreted in draconian fashion – CCM recently

received a hefty fine for employing a Malawian on the Mozambican side of their women's cross-border project, without going through the proper procedures for employing an 'expatriate'.

SADC member have signed a protocol to allow the free movement of people; however, this is not expected to be implemented to its full extent in the short term.

5.4 Cross-border portering

There is a specific work opportunity available to the border community, which is carrying goods over the border. This is usually part of smuggling, in which a trader avoids the customs post by unloading the goods before the border, gets the goods carried across by foot or bicycle on paths that avoid the customs and concentrates the goods again at a point on the other side. Sugar and some consumer goods travel from Malawi to Mozambique like this and beans and pigeon-pea from Mozambique to Malawi. There is some evidence that this smuggling has reduced, with greater Mozambican customs capacity and lower tariffs – however the current high tariffs on sugar provide a significant incentive to smuggle.

A specific case that is not smuggling involves the transport of Mozambican agricultural produce across the border to lorries just inside Malawi – as happens at Muloza in Mulanje. In this case, the bicycle transport across the border is a response to the expense of the lorry crossing the border and perhaps the harassment of the lorry driver once inside Mozambique; it is cheaper for the trader to operate from just inside Malawi.

Cross-border portering is a significant income earner from some border communities and therefore a benefit to them. However, the numbers involved are relatively small compared to the total population in the wider border areas.

5.5 Winners and losers from cross-border work

Table 5.5 – main winners and losers from cross-border work

WINNERS	UNCLEAR	LOSERS
Cross-border ganyu – mainly Malawians working in Mozambique		
<ul style="list-style-type: none"> Malawi households needing the opportunity to do ganyu⁶⁸ Mozambican smallholders requiring labour to expand production 	<ul style="list-style-type: none"> Women in households where the man is working away. The money/food brought back may or may not compensate for risks, such as the man not returning, or increased casual sex and increased risk of HIV/AIDS 	
Cross-border skilled and semi-skilled labour migration in both directions		
<ul style="list-style-type: none"> Skilled workers with greater choice of job opportunities Mozambican enterprises 	<ul style="list-style-type: none"> Women in households where the man is working away. The money/food brought back may 	

⁶⁸ This is true, even if needing to do ganyu is an unfortunate necessity with longer term negative consequences – having no opportunity in the short-term can be even worse.

needing skilled and semi-skilled labour	or may not compensate for risks, such as the man not returning, or increased casual sex and increased risk of HIV/AIDS	
Cross-border portering		
<ul style="list-style-type: none"> • Border communities, where this is a source of income 	<ul style="list-style-type: none"> • Traders – most of the costs or savings are probably passed on to the consumer. Smuggling benefits those traders involved and harms those not involved – by providing unfair competition • Agricultural producers and consumers pay extra costs for transport, but less on duty 	<ul style="list-style-type: none"> • The two Governments through reduced customs revenue.

Conclusion

Enabling cross-border ganyu and skilled and semi-skilled labour movement seems to be generally beneficial. Portering associated with avoiding duty or charges for vehicles crossing the border benefit border communities, but at the expense of Government revenue.

6. CROSS BORDER CULTIVATION, MARRIAGE AND MIGRATION

6.1 Cross-border cultivation

This is an important livelihood complement for some Malawian communities – those near Mwanza ranked it as equal second in importance, Machinga and Mulanje ranked it as third and fourth respectively. Those cultivating in Mozambique benefit from more fertile soil and/or access to larger areas. The proportion of Malawian resident households with fields in Mozambique varied from around 80% in some communities close to the border near Mwanza, to less than 5% near the border in Phalombe. Despite these differences, the trends in all areas were very similar:

- Land is becoming scarcer across the border in Mozambique and access to that land for Malawian resident households is becoming more difficult – with less tolerance to this practice shown by local headmen, than in 1998.
- While access to land via relatives living in Mozambique is still important, headmen are increasingly demanding payment from Malawian resident households – in cash, food or sometimes beer.
- In some cases, land is being privately rented by Mozambicans to Malawian households.
- Headmen are commonly asking households to decide – they must either move permanently to Mozambique or relinquish their Mozambican fields. Therefore, it seems that cultivating the fields doesn't seem to be the issue – it is cultivating the fields while living outside the headman's or the Mozambique Government's control that seems to be the issue.
- District officials in all the Mozambican case study areas identified cross-border cultivation as more common and a more serious issue than either headmen or the communities themselves admitted – it is obviously an issue for them, and some complained that headmen were not reporting sufficient number of cases to them. District Administrators interviewed were clear that Malawian resident households would not be tolerated cultivating inside Mozambique.

Therefore although this can be important for livelihoods for some communities close to the border, it seems that its importance is likely to diminish over time.

6.2 Cross-border marriage

Inter-marriage with people from other villages is traditional among the ethnic groups in the border areas visited. However the need for land seems to be creating an additional incentive for cross-border marriages. Typically, the 'matrilocal' tradition is followed, when the woman is from Mozambique – with the couple living in Mozambique, but the tradition is broken if the man is from Mozambique – with the couple also living in Mozambique. At the local level, this cross-border intermarriage can be very striking – in one community in northern Milange, 60% of households were mixed Mozambican/Malawian – 40% of these households were comprised of Mozambican men who had married a Malawian woman, who had then migrated to Mozambique.

The benefits to the different parties of cross-border marriages were explained as:

Malawian men – appreciate Mozambican women, because of the opportunity to gain land and because Mozambican women were considered more 'respectful' to their men.

Mozambican men – appreciate Malawian women, because of their greater sophistication.

Malawian women – appreciate Mozambican men, because of the opportunity to access land.

Mozambican women – appreciate Malawian men, because of the shortage of men in Mozambique.

Malawian extended family – appreciate the marriage link with Mozambique, because of opportunities for future ganyu, or accessing land.

Mozambican extended family – appreciate the marriage link with Malawi, because of cross-border support for services and ceremonies.

Overall, it does seem that all sides benefit from these cross-border links through marriage, and therefore it is not very surprising that they are common. There are some issues however:

- In some areas, the amount of migration through marriage seems to be declining – because of increasing pressure on land in border areas of Mozambique and because some households were considered to have failed to develop adequately in Mozambique, despite the fertile land. However, in some other areas, migration through marriage was expected to continue.
- It seems possible that children of marriages where the tradition is matrilineal – but circumstances dictate that the woman gets access to land through her husband’s family – may not have the same degree of land security as those that gained access to land through their mother’s family. Therefore, if future land pressures build up and land is contested – these households based on maternal migration may lose out⁶⁹.
- Some Malawian men seem to be marrying a second wife in Mozambique – thereby having a foot in both camps – making use of the better facilities such as schools and clinics in Malawi, but getting access to fertile land in Mozambique.
- Temporary marriages of convenience are common for Malawian or Mozambican men while they are resident away from their home area; sometimes these marriages are to get temporary residence, land or business rights. It was felt by most communities that these arrangements damaged families and spread sexually transmitted diseases.

6.3 Permanent migration

The report in 1998⁷⁰ found that migration through marriage or families moving through family connections or agreement with a local headman was small, but significant. Migration was expected to increase because of land pressure in Malawi and as memories of the war faded and services improved in Mozambique. Mozambican communities interviewed were found to be positive about incoming migrants, as they needed the additional labour. The situation has not developed as expected:

- **Most Malawian border communities report that migration rates have fallen** during the previous three years, and some reported families returning from Mozambique. The reasons for this are:
 - (a) Malawian households in Mozambique report being harassed or being treated less favourably than their Mozambican neighbours – particularly by headmen wanting favours. It seems that the unclear legal status of the Malawian family makes them vulnerable to discrimination by local power structures. Migrants report receiving unfair demands from headmen to participate in communal work activities in comparison to their Mozambican neighbours. Some earlier migrants are reported to have returned because of harassment from headmen – including headmen demanding particularly

⁶⁹ Van Donk J. 1999 – Law and Order as a Development Issue: Land Conflicts and the Creation of Social Order in Southern Malawi.

⁷⁰ Whiteside 1998.

beautiful daughters in marriage. There were not reports of harassment from the general population.

- (b) Prospective migrants are still not convinced that peace is permanent in Mozambique and therefore are unwilling to cut their ties back to Malawi. Many prefer to keep some family members and land being cultivated in Malawi. Others would prefer to invest the money made in Mozambique from successful agriculture, back in Malawi – where they feel it is more secure. Having commitments in both countries is more difficult when the land available for settlement is perhaps 140 km into the interior of Mozambique (Annex 4).
- (c) The conditions for children and the service provision, particularly further into the interior, worries prospective migrants.
- (d) It is possible that the improved harvests in 1999 and 2000 reduced the pressure for migration – and that this could build again in the coming year, some communities suggested this was likely to happen.
- **Mozambican communities in the interior are still positive about in-migration** – both at a smallholder and at a commercial scale. Nearer the border, there is more ambivalence as land shortages are developing in some areas and soil fertility levels are falling (see 7.2 and Annexes).
- **Mozambican local authorities welcome large investors, but not smallholders.** Malawians wishing to invest in commercial agriculture (400 ha was mentioned) and deal formally with the authorities are welcome. Informal settlement by Malawian smallholders is strongly opposed by District authorities and some local politicians in Zambezia and headmen have been told to report settlers, so that they can be expelled⁷¹.

6.4 Winners and Losers from cross-border cultivation and migration.

WINNERS	UNCERTAIN	LOSERS
Cross-border cultivation		
Malawian households who have more and more fertile land, thereby increasing their livelihood security.	Mozambican communities may lose land, but the arrangement usually happens when there is sufficient land and the community may benefit from some payments, access to new agricultural ideas and social capital links into Malawi.	
Permanent Migration (including through marriage)		
<ul style="list-style-type: none"> • Malawian households who migrate and get access to more and better land. • Mozambican host communities who get access to new agricultural and other development ideas, market volume may increase, availability of both <i>ganyu</i> and <i>ganyu</i> labour may increase. 	Malawian communities left behind, where the pressure is taken off the land to a small extent. However these communities may also lose their most enterprising members.	

The analysis suggests that stakeholders either win or have a mixture of positive and negative impacts.

⁷¹ It should be noted that the Zambezia Provincial Governor takes a more relaxed line and feels the issue should depend more on local community opinion.

7. CROSS-BORDER SERVICE USE, NATURAL RESOURCE USE AND INFORMATION EXCHANGE

7.1 Service Use

There is considerable cross-border service use, mainly but not exclusively by Mozambicans in Malawi.

Cross-border services used by Mozambicans – shops (wholesale and retail); grinding mills; schools; Government health posts and hospitals (particularly maternity and referral); tailors; post office; telephone; mosque; church; water sources (boreholes); sports grounds; bars; veterinary services; traditional healers. Although most statistics are not disaggregated between Malawians and Mozambicans, it seems that in some Malawian border schools and health posts, around 25% of users may be resident in Mozambique.

Cross-border services used by Malawians – private clinics; bars; water sources (wells).

Communities and authorities on both sides seem to be remarkably relaxed about this service use:

- Although in some cases the additional crowding or shortages in schools and health posts was noted by Malawian communities, this was generally tolerated on compassionate grounds, or because the Mozambicans are 'our relations'. Sometimes Mozambican communities, organized through the headmen, had contributed labour to improving roads, health posts or schools inside Malawi and this seemed to legitimize their use. In other cases, the Mozambicans had failed to contribute labour or funds and this was resented, but didn't seem to be used as grounds for excluding them.
- Mozambican parents like their children to go to Malawian schools to learn English. Malawian primary schools complain of Mozambican children enrolling and getting free school books and then dropping out, without returning them. IN Southern Niassa it was noted that the number of children crossing the border to school had fallen as new schools had been built in Mozambique.
- There is an official agreement to use the Mulanje Government Hospital for referral from the Milange Hospital, and this seems to be accepted without payment. Mulanje District Health staff noted a number of issues:
 - (a) Referrals tended to be made too late, when there was little they could do to save the person – there had, however, been discussions on this issue.
 - (b) The Mozambican authorities fail to pay to transport back the bodies of those that die.
 - (c) Their budget is determined by the population of the district; they feel it should take account of the Mozambican population they serve and be increased – interestingly this was a plea for more Malawi Government money, rather than an expectation that the Mozambique Government should contribute.
- Mozambicans are attracted to the health services in Malawi by their proximity and quality, plus the fact that they are generally free, whereas there are user charges for Mozambican Government services. Where Malawians are using Mozambican health services, they seem mainly to be using private facilities and paying for them.
- Some Malawian communities noted the positive link between the use of services by Mozambican and economic benefits flowing to the local Malawian traders and grinding mills.

- Some Malawian communities did complain that Mozambicans caused crowding or used up resources in Malawian schools and hospitals.
- Although issues such as drunkenness, prostitution and robbery were mentioned in relation to cross-border service use in focus group discussions, this was never seen as exclusively a problem caused by foreigners – with the result that xenophobia seems very low.
- There seems to be an impressive degree of cross-border collaboration at both headman and police level, to track down cross-border criminals and fugitives from justice. Malawian communities and businessmen do, however, consider there are too many arms on the Mozambican side of the border – leaving them vulnerable. Some Malawian businessmen say they try not to spend the night in Mozambique, because of the risks of armed robbery.
- The Mozambican authorities in Milange were planning to prevent people taking maize to be milled in Malawi once there was sufficient milling capacity in the new *feira*. However in various areas where there are mills on both sides of the border the Mozambican population noted that grinding mills in Malawi charged much less than in Mozambique.
- Use of services, particularly clinics by Mozambican women, had resulted in considerable transfer of knowledge to the Mozambique side of the border.

7.2 Cross-border natural resource use

Natural resources flow from Mozambique to Malawi – perhaps the greatest of these is the least obvious – soil fertility that is used up in growing crops in Mozambique, some of which are then sold to Malawi. Other natural resources that are either collected by Malawians crossing into Mozambique, or taken by Mozambicans into Malawi, are firewood, thatching grass, medicinal plants, fruits, poles, planks, charcoal, bamboo and bush meat. The situation varies at the different borders looked at:

Phalombe-N. Milange border – Use of resources inside Mozambique by Malawians is increasing, because of shortages in Malawi. This usage is increasing the degradation in Mozambique and is causing offence when the Malawians fail to respect local rules, such as not cutting trees in graveyards. Most resource use is concentrated in the border area, except for timber where woodcutters penetrate up to 70km to find suitable trees. This was the only border area reporting cross-border livestock grazing – and they also complained of damage to fields in Mozambique from livestock owned by Malawians.

Mulanje-S Milange border – There is a movement of wood products, thatch etc. across the border, but this is quite limited, with most of the natural resources used in the case study Mulanje communities coming from within Malawi. The environmental situation within Malawi has largely been stabilized, with most trees privately owned and carefully managed. In comparison, much of the forest on the Mozambican side has been rapidly cleared for agriculture and resources are getting scarce.

Zobue-Mwanza border area – movement of firewood, charcoal, thatching grass, poles, bush meat and wild tubers from Mozambique into Malawi and also to towns in Mozambique. Charcoal burning was reported to be causing deforestation in certain areas.

Machinga – Southern Niassa – Exploitation of natural resources by Malawians is limited to the immediate border area.

Quantitative data is limited – however it seems that:

- Use and loss of natural resources, such as firewood, poles and thatch – due to their transport to and use in Malawi – is mainly limited to the immediate border area.
- Planks and charcoal may be transported from deeper inside Mozambique.
- Clearing and burning for agriculture and uncontrolled fires, started largely for hunting reasons, are causing much greater loss of woody biomass in Mozambique, than any transport to Malawi.
- The bush meat trade is relatively small and there is no evidence that high demand in Malawi is a strong motivating factor in unsustainable hunting.

Although there are significantly more natural resources of nearly all types in Mozambique, these are under threat in some areas:

- In September 2001, there was an astonishing quantity and ferocity of uncontrolled bushfires throughout western Zambezia that seem likely to have caused environmental damage.
- In areas of higher population density, such as close to the Malawi border, or near Mozambican towns that are cleared for agriculture, few indigenous trees are preserved – presumably because they are considered ‘common property’. Many areas are moving towards having fewer trees than Malawi. – where in some areas privatized tree planting, ownership and management has created a degree of stability.

The need for sensitive, community-based environmental work is therefore high in Mozambique. It is urgent, because it is much easier to take action before the environment is degraded and livelihoods become unsustainable. Malawi, with its history of higher population density, degraded soils and varied experience in sustainable agriculture programmes, provides an important opportunity for both motivation and learning.

7.3 Cross-border information exchange

Given the fact that many border-area Northern Mozambicans lived in Malawi during much of the 1980s and early 1990s as refugees from the war, the common family connections and the extensive trading connections and common languages, one would expect considerable informal information exchange between Malawi and Mozambique.

Malawi border community perspective:

- Most Malawian border communities do not feel they have learnt significant information from Mozambique.
- Malawians consider that Mozambicans have adopted a wide range of agricultural techniques from them, including plant spacing and improved varieties.

Mozambique border community perspective:

- Mozambican farmers consider they have learnt about hybrid maize seeds, plant spacing, an improved pigeon-pea (referred to locally as ADMARC) and rice. Near the border in Northern Milange, 20% of farmers said they had planted starter pack seed bought in Malawi. Throughout most of the border districts, farmers refer to crop varieties sold in Malawi, but not released in Mozambique.
- In one case study area 70% of those interviewed said that they had learnt about HIV/AIDS from Malawi radio, clinics in Malawi and discussions with Malawians etc.
- Women attending clinics in Malawi had learnt about child feeding, immunization, child spacing, cholera and diarrhea disease control.

- Dressing and hair fashions and cooking techniques are apparently learnt from Malawi.
- Even in a community 110km inside the border, where the majority had not fled to Malawi during the war, most men visited Malawi at least once a year to shop and clearly picked up information from Malawi during such visits. Visits by the women were, however, much rarer. The same community listened about 50% to Malawian and 50% to Mozambican radio.
- No reference was made about what Malawians might have learnt from Mozambique.

Farmer association perspective

Mozambican farmer associations have been developing rapidly; there are also quite established Malawian associations, such as NASFAM. When looking for markets, Mozambican associations and their mentors have been active in surveying the Malawian market, including discussions over potential collaboration with NASFAM. At a more general organizational level however, there seems to have been less emphasis on learning from each other, or forming institutional collaborative links. There are more opportunities for farmers to learn from each other.

Market information has been adopted as an important strategy by a number of Government Ministries, NGOs and donors. There have been some attempts to improve regional or cross-border information:

- The Mozambique Ministry of Agriculture and Rural Development's SIMA bulletin has requested price data from Malawi, without success.
- The Mozambican Ministry of Commerce and Industry's 'Boletim [Mens@I](#)' adds a regional perspective, by quoting futures prices.
- RESAL, with EC funding, produced a consistent and informative monthly bulletin covering Mozambique and Malawi from 1991 to June 2001, when funding ended. It is not clear whether similar combined data will continue to be produced through the commission.
- CLUSA, Nampula DPARD and UCASN occasionally publish potential marketing contract information that can include Malawian businesses.

Apart from the latter, little of this information is directly useful to either farmers or traders. Much of the price information is already out of date – it describes what *has* happened, rather than what *is* happening or what probably *will* happen:

- **Traders currently use their own contacts, rather than the bulletins** – Information about last month's prices is not of much use. Information about probable future price changes would be very beneficial.
- **Radio is the most effective medium for farmers** – Current prices are useful, although the information needs to be up to date and locally applicable. Farmers in Milange reported hearing the prices for Nampula on the radio, but did not find this particularly relevant. The current development of a number of local radio stations provides an opportunity for more locally relevant information. Information on probable future price changes would be useful – farmers need to know whether to sell early or to hang on.

In both cases, information about probable future price changes is important, although to achieve this, cross-border information and analysis is needed. With the ending of the RESAL bulletin, it doesn't seem that this information is currently available.

Local government officials

Adequate contact on a 'need' basis seems to take place – with problems generally being discussed and resolved. However, at an institutional learning level, there seems to have been limited exchange – there is potential for a more innovative approach.

Ministry of Agriculture and agricultural research

At the highest level, there are contacts at various multilateral forums – such as the Southern Africa Roots and Tubers Network, meetings of plant breeders etc. INIA and Malawian Agricultural research institutions have some links at the central level. However, at provincial and district level, there seems to be little exchange and therefore a major missed opportunity. Mozambican farmers are adopting agricultural varieties and techniques learnt from Malawi, but Mozambican extension workers are not easily able to accompany the process. In a few cases, NGOs working in border areas have visited Malawian research stations and taken Mozambican extension workers. In another case, there has been a joint course for Mozambican and Malawian extension workers, linked to a border area programme. However, these tend to be the exception rather than the rule.

NGOs working in border areas and other funders

There is a difference in rural development experience on either side of the border, with a longer sustainable livelihood experience in Malawi. Because of the war and resettlement of refugees, most development projects in Mozambique are relatively recent and experience is being built up rapidly from quite a low base.

An example of Malawi-based experience is the Oxfam Mulanje Programme, which has considerable experience in supporting community organisation for development. This programme has been evolving since 1990 and just appears to be starting to have a real impact on sustainable rural livelihoods in very difficult circumstances. Another example is the cluster of sustainable agriculture and agroforestry technology programmes in Malawi with around ten years of experience, which are pointing the way to a number of best bet technologies⁷². These, and others, are incredibly valuable resources for Mozambican projects, working in areas where population densities are rising and issues such as soil fertility and natural resource loss will inevitably come to the fore. The wheel does not have to be re-invented and Mozambique can get a head start in building sustainable livelihoods.

Oxfam, recognizing the importance of border issues through its long-standing Mulanje programme:

- It commissioned research in 1998 on cross-border issues⁷³;
- Provided some funding to the work of CCM on the Mozambican side of the border, near where it was working;
- Developed the marketing side of its work in southern Niassa;
- Commissioned a major study on 'Marketing and Trade' in 2001⁷⁴.

Despite this, it has proved quite difficult to develop practical activities that build on opportunities for cross-border synergy.

A Malawian (CSC) and a Mozambican (CCM) organisation initiated in 1998 the 'Women's Border Area Development Programme', spanning part of the Phalombe – Northern Milange

⁷² See Whiteside & Carr 1997, NRI 1998.

⁷³ Whiteside 1998.

⁷⁴ Oxfam 2001 – Marketing & Trade: The future for overcoming poverty.

frontier. An evaluation in 2001 found that exchange visits between communities on either side of the border had been positive, but that there was a need to work on breaking down the policy barriers that disempower rural groups in terms of cross-border trade, mutual learning and economic/financial empowerment⁷⁵.

Other initiatives are newer. MOLISV has started a livelihood project in the Mangochi area that is planning to link up with a project by the same organisation in Mandimba. AMODER, which has been providing credit to traders in Mozambique for a number of years, has been increasing the emphasis given to understanding and creating partnerships across the border⁷⁶. Project Hope is reported to be starting an HIV/AIDS awareness project that covers both sides of the Mulanje-Milange border.

In Mozambique, there has been an increase in the number of NGOs working in border areas that have a focus on marketing opportunities, from which has grown recognition of the importance of cross-border issues; this is partly thanks to strategic funding provided by the EC.

The European Commission's Food Security Unit Mozambique has been particularly aware of the trade potential between Northern Mozambique and Southern Malawi:

- Warning early on that actions subsidizing production in Malawi would have adverse consequences in Northern Mozambique.
- Organising joint meeting for Commission and Government officials from Mozambique and Malawi to explore coherence.
- Funding RESAL, to produce monthly bulletins covering Mozambique and Malawi from 1999, but ended in 2001.
- Funding a cluster of food security projects in Northern Mozambique with a marketing focus.
- Supported the Mozambican Ministry of Industry and Trade to become more aware of the implications of cross-border trade.

Conclusion

Information and agricultural techniques are passing informally from Malawian to Mozambican communities. Within some NGOs, donors and farmer associations, there has been increased recognition of the importance of cross-border trade and marketing in recent years and some marketing links have been made and market information exchanged. There are few initiatives that have tried to make some deeper cross-border links and there is considerable further scope for learning and building synergy across the border. Dedicated resources designed to promote this would increase the speed and scope of this learning.

⁷⁵ Chilema D., Mkamanga G., & Parkinson V. 2001. This project provided the data in Annex xx.

⁷⁶ AMODER 2000 – Oportunidades do Comercio Transfronteirico.

7.4 Winners and Losers

WINNER	UNCERTAIN	LOSER
Cross-border service use – mainly Mozambicans in Malawi		
<ul style="list-style-type: none"> • Mozambican communities with improved access to health, education, grinding mills etc. • Mozambique Government – has services provided to its population without paying for them with government revenue. • Malawi businesses which profit from the service users. 		<ul style="list-style-type: none"> • Malawi communities that have to wait longer and share limited resources. • Malawi Government whose limited service budget is spread more thinly.
Cross-border natural resource use		
<ul style="list-style-type: none"> • Malawi communities with access to natural resources • Mozambique communities in the short term able to profit from collecting, transporting and selling the resources to Malawians. 		<p>Mozambican communities in the long term – if the resources are used unsustainably.</p>
Cross-border information exchange		
<ul style="list-style-type: none"> • Mozambican communities learning from development experience in Malawi. • NGOs and local government staff working in Mozambique. • Mozambican Provincial and District level extension and research 	<ul style="list-style-type: none"> • Malawian communities, NGOs and research stations with experience to share – this will take time and resources to do properly, but should also be stimulating and a chance to learn more themselves. 	