

Mozambique

Policy action for sustainable food system transformation

Context

Agriculture plays a key role in Mozambique's economy, as it contributes 28% to the national gross domestic product and employs 70% of the population (FAOSTAT). Most farmers are smallholders and engage in subsistence and semi-subsistence farming. One of the main challenges it is facing is low and stagnating levels of productivity. This is measured as total factor productivity. Between 2010 and 2020, total factor productivity growth contributed negatively to output growth and stagnated at an



average of -0.5% per year. Adoption of new technologies is dismally low and as of 2020, around 8% of farmers used agrochemicals, 2% irrigated and only 1% used improved seeds. Yields of staple crops such as maize and rice are well below not just their theoretical potential, but also the levels realized by Mozambique's regional peers.

The agricultural sector can play an important role in poverty reduction and economic resilience. However, the sector is facing several key challenges such as underdeveloped input and output markets, reliance on outdated technologies and farming practices, poor market linkages and unsustainable natural resource management.

Climate change is exacerbating the issue as according to the World Risk Index, Mozambique was the third most vulnerable country on the African continent in 2021¹. It is also among the most exposed to weather extremes, facing more frequent cyclones, droughts and major flood events than many of its neighbours. As a result, yields of crops are expected to decline.

Rationale

Analysis suggests significant scope for improving the effectiveness and efficiency of limited public budgets to help farmers achieve growth in sustainable agriculture. First, budgetary allocation for the sector is low and much more support is required to accelerate the transformation of the agriculture sector. Moreover, given the extremely limited fiscal space it is very important to maximize public expenditure efficiency and impact (value for money). The

¹ World Risk Report 2022. Bündnis Entwicklung Hilft, Ruhr University Bochum – Institute for International Law of Peace and Conflict 2022. <https://weltrisikobericht.de/weltrisikobericht-2022-e>.

quality of spending also needs improving, as witnessed by low productivity growth rates. In addition, public support programmes have not fully addressed growing challenges linked to climate change, environmental degradation of soil and water, biodiversity loss, increasing food and nutrition insecurity and pandemic risks. Therefore, aligning public support to better address growing challenges is needed to increase the production and commercialization of key staple food crops, crop diversification and nutritious food products.

Approach

Improving access to technologies such as fertilizers and equipment is necessary, but not sufficient. This suggests more investment should be directed to building the necessary knowledge and services to ensure efficient and effective use of appropriate modern technologies. Important opportunities exist to modernize agricultural extension services and build capacity for the supply of public and private services to smallholder farmers. This includes the use of digital tools to increase and accelerate access to knowledge in remote areas, the provision of basic equipment to extension workers, and combining improved access to inputs with necessary extension services.

As part of repurposing public support, and building on previous pilot experiences, Mozambique will roll out an electronic voucher system to increase the effectiveness of its agriculture input support programme. Changes to the existing input distribution model are being considered, including: making this more flexible by allowing farmers to choose which inputs they want based on their specific needs; bundling subsidies with complementary services such as extension to improve efficacy and efficiency of inputs; rewarding adoption of more sustainable practices and; revising input procurement and distribution mechanisms, which currently hinder a more dynamic and decentralized participation of the private sector.

Secondly, Mozambique will also strengthen extension services including content development for extension training, and building strategic linkages with agricultural research services in areas such as soil health systems and fertilizer recommendations, among others.



Expected Results

Bundling input support with quality extension services is expected to significantly improve the impact of public expenditures and deliver on better productivity and incomes. Evidence from initial work will be used to inform climate adaptation approaches such as soil health considerations in fertilizer practices. The expected result is that this will lead to increased investment in the agriculture sector, especially on the provision of public goods and services that improve productivity in a sustainable manner.

Lessons Learned

- Repurposing options need to be designed given the local country context, development challenges and national priorities. The design of the repurposing options should be done in a participatory manner to identify mechanisms that are technically feasible and politically and socioeconomically viable given the local country context.
- Policy reform should be evidence based and gradual, given the institutional capacities as well as the political economy involved in reforms.
- Proper evidence and information should be collected systemically to inform policy makers and stakeholders on practices that adapt to a changing climate and mitigate carbon emissions.
- These alternate mechanisms will be developed in collaboration with the line ministry and local and international experts. The pilots will be carried out in selected districts for at least two seasons and scaled up under the fourth phase of the World Bank Food Systems Resilience Program in Mozambique.

This is one in a set of country case studies demonstrating policy action that individual countries are taking with the aim of transition to sustainable agriculture. They are country owned and do not represent wider views of the Policy Dialogue participants.