



# Enhancing Climate Resilience of Women in Mozambique – An Evidential Study Report

Leveraging Financial Services for Women's Resilience and Adaptability in Mozambique

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### **About FSD Network**

The FSD Network is an alliance of organisations or 'FSDs' that reduce poverty through financial sector development in sub-Saharan Africa. The Network believes that financial systems have the potential to play a major role in enabling inclusive growth and ensuring access to basic services while assuring a sustainable future for low-income people. Guided by the imperatives of the United Nations' Sustainable Development Goals (SDGs), the FSD Network seeks to mould sustainable financial systems, enabling them to work more inclusively across Africa. As part of this work, the Network has initiated the Gender programme to enable collaboration among FSD Network members to support the development of gender inclusive financial systems which promote gender equity. The Network is committed to ensuring not only that women have greater access to financial services, but that those services work for them in helping increase their incomes, access welfare services and economic opportunities, and increase agency in decision making both at home and in their communities and workplaces. The Gender Collaborative Programme is funded by the Bill and Melinda Gates Foundation.



### **FSD Moçambique**

The Financial Sector Deepening Moçambique is a facility for financial sector development with a focus on expanding levels of inclusion. It direct investments and insights to address constraints in the financial market, helping the diversification of Mozambique's economy and bringing prosperity and economic resilience to Mozambique's people. At the core of its strategy, are women, youth and the rural low-income population, as well as small businesses.

## INTRODUCTION

Climate change is a hazard to all, across the globe. But certain countries and demographic groups remain more impacted by it than others. One such country is Mozambique, and one such group is the nation's female population, who are suffering disproportionately from the effects of climate shocks.

To gain a deeper understanding of this, the FSD Network Gender Collaborative Programme, alongside FSD Mozambique, commissioned a study: Mechanisms and Solutions to Address Poor Households' Climate Challenges.

Here, we outline our findings, and our recommendations for the role financial services can play in boosting climate resilience for Mozambique's women.



## CLIMATE SHOCKS IN MOZAMBIQUE AND THEIR EFFECT ON WOMEN

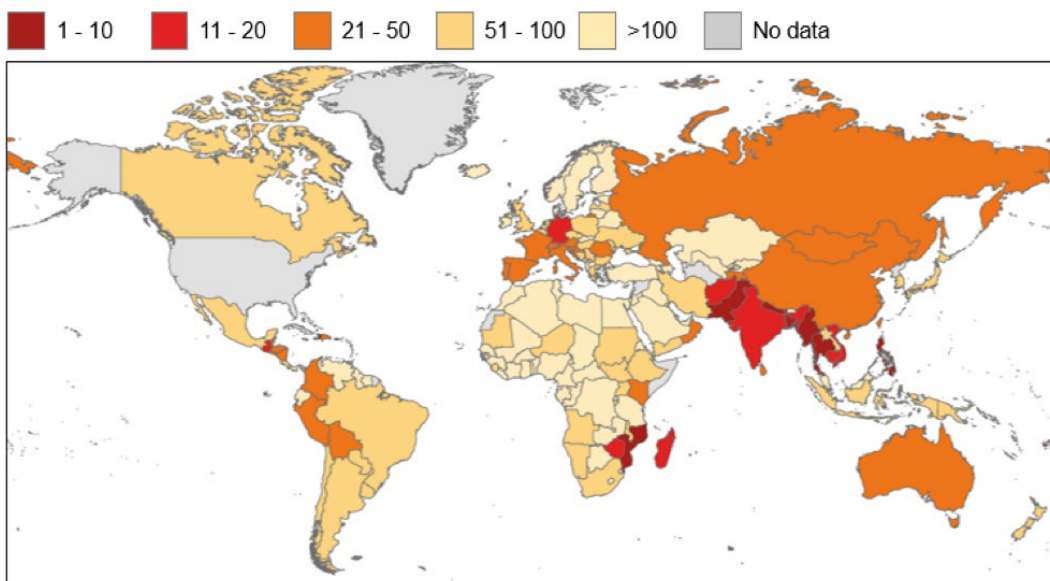
Mozambique is one of the most vulnerable countries in the world when it comes to climate change. The Global Climate Risk Index placed it as the fifth most affected country for weather-related losses in 2021.

Climate shocks have increased in frequency and severity over the last 30 years. Flooding is the most prevalent event, but storms, droughts and epidemics are also common. Since 2016, climatic shocks have affected almost 5 million people across Mozambique, through loss, injury or death. Families often experience multiple shocks in a short period of time.

In Mozambique, these climate events affect people who are already vulnerable and have limited resources with which to cope. The country's poverty rate is high: approximately 64%.

In the aftermath of cyclones Idai and Kenneth in 2019, the World Bank noted that poverty is concentrated in rural areas, where there are challenges in accessing electricity and maintaining food security. Climate shocks like cyclones therefore compound existing challenges for rural populations in particular.

Figure 1: Global Climate Risk Index Ranking 2021<sup>1</sup>



<sup>1</sup> GermanWatch, Global Climate Risk Index.

Like in many other affected countries, the majority of Mozambique’s vulnerable population is female. Women are therefore particularly at risk from the effects of climate shocks. This is especially true of those in rural and low-income areas, who rely on agriculture and the informal sector for their livelihoods.

As the frequency and intensity of climatic events increase, more and more women are struggling to recover from the health-related and economic shocks that result. In particular, many are unable to access the financial services they need to build resilience and get them back on track.

## THE STUDY

To better understand the impact of climate shocks on livelihoods in Mozambique – particularly those of women – the FSD Network Gender Collaborative Programme and FSD Mozambique commissioned **Mechanisms and Solutions to Address Poor Households’ Climate Challenges**.

The study’s objectives were to:

- understand the gendered effects of climate events on Mozambican households, with a sex-disaggregated lens identify and assess the coping mechanisms people use
- map existing financial services, government infrastructure/policies, and other development
- programmes that support the recovery of women from climatic events.

The study targeted the eight districts predominantly impacted by climate shocks in the provinces of Sofala, Zambezia and Cabo Delgado. These districts were chosen due to the magnitude of climate shocks they experience and the high level of influence these shocks have on people’s well-being and economic activities, in contrast to that of other shocks (political, financial, personal and business-related).

For impacted households, climate disasters typically result in the loss of assets, destruction of crops, instances of illness and injury, and even fatalities. People with agricultural and coastal livelihoods tend to suffer the most far-reaching consequences. Given Mozambique’s reliance on agriculture, which is responsible for over 70% of jobs, this is particularly concerning. According to Mozambique’s most recent NDC, natural disasters affected a total of 370,382 hectares of arable land in 2020/21, of which 89,411 were lost completely.

In terms of gender, the primary and secondary data gathered during the research clearly demonstrated that women in Mozambique are more vulnerable to the impacts

of climate change than men. This is a result of interwoven issues: cultural norms, the informal nature of women’s livelihoods, and low levels of literacy, both in terms of education and in climate-smart practices or digital and financial services.

Two key themes therefore emerge from the study: the clear evidence that women are disproportionately affected, and the role that financial services can play in helping them and others to build resilience.

## **KEY THEME #1:** **Women are disproportionately affected by climate shocks**

As the Consultative Group to Assist the Poor has previously reported, when an extreme climate event occurs and households are not prepared, women often resort to coping strategies that have greater negative effects on their well-being than that of men.

A key objective of the study was to uncover insights into how women-led households try to recover from climate shocks – what their coping mechanisms are, whether those mechanisms work, and the effect they have on women’s well-being.

The study found clear evidence that women-led households are more negatively impacted by climatic events, due to institutional and normative challenges. Here are some of the key findings:

- **Women have limited access to assets** commonly used to cope with disasters, such as land, savings accounts and knowledge of climate-resilient crops and agricultural methods.
- **Climate shocks lead to heightened gender-based violence (GBV)**. This is often due to an escalation of crime in disaster-affected regions, to which homeless women and women-led households are particularly vulnerable. According to the World Bank, following cyclones Idai and Kenneth in 2019, 22% of women experienced GBV, and the prevalence of child marriage was 48%. An estimated 70% of cases of GBV in Mozambique don’t face prosecution, further increasing women’s vulnerability.
- **Most women in the affected districts are subsistence farmers**. They have few resources and struggle to recover from their losses. Droughts often follow cyclones, resulting in the devastation of any crops women farmers have managed to preserve.

- **Women-led households have comparatively limited access to healthcare.** This is also true of individuals with disabilities. Many women reported that they struggled to afford access to hospitals to safely deliver their babies, with a growing number of women forced to give birth at home. This has led to a rise in maternal mortality rates. Many also struggle to afford medicines from pharmacies, leading in the worst cases to loss of family members due to disease.
- **Common coping strategies disproportionately affect women.** Climate shocks often lead to early marriage, school dropout and prostitution, as means of coping with the damage to households' livelihoods. These coping strategies affect women's long-term well-being far more than that of men.
- **Women-led households struggle to develop adequate recovery systems.** Although all the impacted groups reported limited and inefficient coping mechanisms, women-led families struggled the most. They are typically limited to making what use they can of the natural environment: producing charcoal from forests, selling sand or straw for roofing, and selling wild greens for food. Women try to sell these goods either in local villages or within nearby towns, aiming to generate cash to help their businesses recover.
- **Women use savings groups for recovery more than men.** It was clear that women more often used 'xitiques' – rotating savings groups – to build up money for business recovery. Men do participate in these groups, but they are dominated by women, who also borrow more frequently from them after a climatic event.



## KEY THEME #2: Informal financial services are key to recovery

Financial services – credit, savings and insurance – enhance preparedness for climate disasters. They allow individuals, households and businesses to anticipate, prepare and eventually absorb the negative impacts of a disaster, through asset creation, consumption, smoothing and emergency assistance.

A core part of the study was to identify existing financial services that are used by households (both male- and female-led), and assess how accessible those services are and how much they aid the recovery of livelihoods. In addition, the research sought to understand the differences in how women and men use financial services as coping mechanisms after a climate disaster. To accomplish these things, focus groups were carried out.



**An overview of financial services used as coping mechanisms for climate disaster, as reported in focus groups**

**Emola/M-PESA**

- Access savings
- Receive transfers from the family
- Receive subsidies

**Mobile account(bank)**

- Resources to start rebuilding the business or home

**Xitiques -**

- Resources to start rebuilding the business or home

**Savings groups**

- Loans to start rebuilding your business or home

**Moneylenders**

- Loans to start rebuilding the business

**Vales e Subsídios**

- Immediately for food and accomodation
- Later, mainly for agricultural recovery

**Formal services**

- Mobile money services from mobile money operators(MMOs)
- Bank accounts
- Mobile banking services
- Insurance for equipment and vehicles
- Weather indexed insurance for drought-covering costs of seeds
- Credit from microfinance institutions
- Credit from MMOs
- linkage to carbon credits through government or private sector

**Informal services**

- xitiques
- savings groups – offering savings and loans and sometimes linked to bank account or mobile money accounts.

A large number of focus group participants reported using mobile money services to aid recovery. A smaller proportion said they had bank accounts, and very few said they had access to formal sector credit. These findings align with existing statistics on financial inclusion in Mozambique.

Most participants were not aware of or did not understand insurance services, even though some products are available to small-scale farmers. The importance of

informal services was clear, however, with more than a third of participants mentioning the use of ‘xitiques’ or other savings groups.

These findings highlight the importance of informal financial services as a viable means of recovery for people after climate disasters. Given the high participation of women within these groups, it is recommended that maximum attention is given to leveraging their benefits.



## RECOMMENDATIONS

The study makes three main recommendations to boost the climate resilience of women and other vulnerable groups in Mozambique.

### **Reinforce savings groups**

- Given the substantial participation of women, especially in climate-affected areas, it is critical to establish linkages between savings groups and formal financial institutions (banks, mobile money providers and fintechs). This will ensure secure savings for women and help them recover more quickly from climate disasters.
- Savings groups should be used as conduits for adaptation and climate resilience education, by providing insurance products, credit and carbon credit opportunities. Informal groups are often social networks for women. Layering information on climate-smart practices, financial literacy and early-warning indicators would help build women's resilience.
- One important characteristic of saving groups is the existence of social funds. These are independently gathered inside groups to support the social well-being of their members. It would be beneficial to promote the adoption of health fund savings among group members, in addition to social funds, to be used for healthcare expenses during climate catastrophes.

### **Boost rent-to-own housing finance**

- Housing is the greatest loss in terms of assets, affecting women and female-led households disproportionately, because they often lack the means to rebuild. Lack of good housing increases vulnerability to future climate shocks.

- As a recovery mechanism, rental of housing is becoming more common in climate-affected populations. Green construction considerations such as renewable energy sources and clean cookstoves could reduce the cost of rental by linking to carbon credits.

### **Promote insurance against climate shocks**

- Despite the urgent need to reduce the risks attached to climate shocks, there is little information on insurance among impacted populations. These populations, a high proportion of which are women, show low demand for insurance, mostly because they don't understand it or are not aware it could help them cope with climate disasters.

### **Strategic Partnerships for derisking women's livelihoods**

- It is key that aligned partnerships are established between market actors to design contextualised derisking solutions and products for specific women segments (the ones negatively impacted by climatic events in Mozambique).

While insurance has great potential, there is a need to build the market. This can be done through financial education campaigns and support to donor and government projects, which would help people learn more about accessing insurance. It would also be beneficial to incorporate training into savings groups, and to help them work with formal financial providers to bundle insurance with their savings, transactions and credit products.

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