

## **When Economic Reform Goes Wrong: Cashews in Mozambique**

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Mozambique liberalized its cashew sector in the early 1990s in response to pressure from the World Bank. Opponents of the reform have argued that the policy did little to benefit poor cashew farmers while bankrupting factories in urban areas. Using a welfare-theoretic framework, we analyze the available evidence and provide an accounting of the distributional and efficiency consequences of the reform. We estimate that the direct benefits from reducing restrictions on raw cashew exports were of the order \$6.5 million annually, or about 0.14% of Mozambique GDP. However, these benefits were largely offset by the costs of unemployment in the urban areas. The net gain to farmers was probably no greater than \$5.13 million, or \$5.13 per year for the average cashew-growing household. Inadequate attention to economic structure and to political economy seems to account for these disappointing outcomes.