



SOCIAL ACTION BUDGET BRIEF

MOZAMBIQUE 2019

KEY MESSAGES

1 In 2019, for the first time in recorded history two strong tropical cyclones have hit Mozambique in the same season. On March 14, tropical cyclone Idai made landfall at port of Beira (affecting 50 districts in 5 provinces²), and six weeks later, cyclone Kenneth made landfall in northern Mozambique (affecting 14 districts in two provinces³). Devastation from the cyclones could bring the number of cumulative number of children in affected areas in urgent need of humanitarian assistance – in healthcare, nutrition, protection, education, water and sanitation – to nearly 1.5 million in Mozambique.

2 In the 2019 State Budget, the Social Action Sector – intended in its narrow definition as the sector managed by the Ministry of Gender, Children and Social Action (MGCAS) and the National Social Action Institute (INAS) – was allocated MT 6.9 billion (b), representing the largest allocation of all times both in nominal and real terms. The 2019 Social Action sector's budget occupies a 2 percent share of the entire State Budget and 0.7 percent of expected Gross Domestic Product.

3 Despite the increase in the allocation to Social Action, Mozambique is not on track to achieve its National Basic Social Security Strategy (ENSSB) goal of allocating 2.4 percent of GDP to the sector by 2024.

4 In nominal terms, internal resources allocated to Social Action in 2019 Budget are worth MT 4.6 billion (b), which is a 7 percent increase relative to 2018. In proportional terms, the 2019 ratio of internal to external resources is 67 to 33 percent. However, the largest external investment is the World Bank credit to the Productive Social Action Program (PASP); Although this is tracked as external resources in the State Budget, the PASP program is de facto fully internally-funded as the Mozambican Government will have to pay back the loan and the corresponding interest. The remarkable self-reliance of the Social Protection sector signals the Government's commitment to the sector, as well as sustainability and ownership of sectors' programs that do not depend on external funding and donor design.

INAS was allocated over 90 percent of the sector's budget, of which the largest was directed to its delegations, which is on par with last year's share. Spending for the Social Action Sector is indeed highly decentralized: the 2019 ratio of central to non-central resources is 13 to 87 percent.

5 Social Protection Programs were allocated a total MT 5.4 billion in 2019 budget. This corresponds to 78 percent of the Social Action Sector's budget, 1.6 percent of total State Budget, and 0.5 percent of GDP. In 2019, INAS Programs targeted 609,405 beneficiary households. This represents a 7 percent increase relative to the 567,290 beneficiary households targeted in 2018. While 2019 target will bring Social Protection coverage to approximately 22 percent of poor and vulnerable households, it is unlikely that the 25 percent Five Year Government Plan (PQG) target will be met by the end of the year.

6 The per-capita allocations to the poor increased relative to previous years but these are not yet equitable across the country, which is of concern in the current context of limited fiscal space and increasing inequalities. In fact, although there have been efforts to improve targeting of Social Protection programs, Niassa, Zambezia and Nampula – that are granted the largest nominal allocations – receive the lowest 'per-poor' allocation (i.e. allocation on a per person basis considering only people below the nationally defined poverty line).

¹ **Please note:** All analysis was carried out with publicly available information. Where limitations were encountered, notes are made in the text. There are some minor discrepancies between the totals presented in past Budget Briefs and those presented in the 2018 edition. As data sources were updated, UNICEF and ILO revised its calculations. The viewpoints expressed in this brief are those of the author and do not necessarily represent those of UNICEF Mozambique.

² Provinces affected by cyclone Idai are Zambézia, Sofala, Manica, Tete and Inhambane. The immediate negative impact included more than 600 people dead, more than 1600 injured, 750 thousand children in need of assistance.

³ Provinces affected by cyclone Kenneth are Cabo Delgado and Nampula. The immediate impact includes more than 200 thousand (half of them children) people in need of assistance and more than 18 thousand displaced.



KEY RECOMMENDATIONS

The Government should continue current positive trend of resource allocation to Social Protection, ensuring programme expansion also to child sensitive areas in order to meet the PQG target (2020) of reaching 25% of people living in poverty, and gradually increasing resources towards ENSSB II target of 2.23% of GDP by 2024.

There is a need to improve the efficiency of the sector to ensure that the resources do reach the beneficiaries in due time. Delays in delivering the cash impact negatively on the living conditions of the beneficiaries.

The subsidies to public enterprises are currently classified as Social Protection, yet the beneficiaries of the services provided by these companies are the people living in upper quintiles of income distribution, therefore not contributing to poverty alleviation of the poor families. It is recommended to remove aforementioned subsidies from Social Protection classificatory.



Introduction

The 2019 State Budget and Economic and Social Plan were approved by Parliament on November 29, 2018; the State Budget was then promulgated by the President on December 14, published as Law 15/2018 on December 29, and entered into force on January 1, 2019. The approved budget is worth MT 340 billion, which is consistent with the original budget proposal submitted on September 29, 2018 by the Ministry of Economy and Finance (MEF).

In response to the state of emergency caused by the IDAI and Kenneth cyclones that hit Mozambique in March and April, the 2019 Budget and the Economic and Social Plan will be revised. Category four Tropical Cyclone IDAI made landfall over the city of Beira in the Sofala province on March 14, producing strong winds and torrential rains that affected Sofala, Manica, Tete and Zambezia provinces and over 1.85 million people, of which 1 million children (See Box #1).

BOX 1

Effects of IDAI and Kenneth Cyclones combined

**1.4 million people in need
1 million children in need**

more than USD 600/700 million in economic losses

The World Bank estimated in a note to the United Nations that the direct economic losses from Idai cyclone are worth approximately USD 656 million to 773 million for damage to buildings, infrastructure and agriculture⁴. In the face of the devastating impact of the cyclone, the Government of Mozambique declared on March 19 a national emergency, and the Council of Ministers decided on March 27 to conduct an assessment in order to revise the State Budget, the Economic and Social Plan (PES) as well as to develop a Reconstruction Plan.

On April 25, Mozambique experienced the second tropical cyclone, Kenneth, which made landfall in the districts of Macomia and Mocímboa da Praia in Cabo Delgado Province and some parts of Nampula province.

The international community has been mobilizing resources to help Mozambique address the financing gap due to the national emergency. The United Nations Flash Appeal for Idai response has a funding requirement of USD 281.7 m to cover the first three months of the response in support of people in need in the affected areas. As part of the UN Flash Appeal, UNICEF has requested USD 102.6 m to meet the humanitarian needs of the populations affected by the cyclone and to support the recovery phase. The International Monetary Fund (IMF) approved a USD 118.2 million rapid credit facility assistance to address the large budgetary and external financing gaps arising from reconstruction needs⁵. In fact, while the Government of Mozambique is reallocating lower priority spending to emergency assistance, the room for maneuver is limited; the international community is likely to help cover large part of the emergency assistance and reconstruction needs. It is expected that the revised budget will have a larger share of external funding than that in the current budget, mostly in the form of grants to ensure debt sustainability. In the Social Action Sector, additional external support is expected during the post emergency recovery phase for the implementation of the PASD-Post Emergency program in affected areas, which is foreseen in the National Basic Social Security Strategy (ENSSB) 2016-2024.

⁴This estimate does not include indirect losses such as business interruptions and reduced productivity.

⁵ IMF Press Release No.13/121, April 19, 2019. Available at <https://www.imf.org/en/News/Articles/2019/04/19/pr19121-republic-mozambique-imf-exec-board-approves-rapid-credit-facility-assistance-cyclone-idai>



1. How is the Social Action Sector Defined?

The Social Action Sector refers to the institutions in charge of Mozambique's social protection systems that receive autonomous budget allocations through the State Budget.

Although the 2018 State Budget Law (LOE) combined Social Action and Labor & Employment into a single priority sector, other relevant budget and expenditure documents, such as State Budget Execution Reports (REOs) and General State Accounts (CGEs), report Social Action spending separately from Labor & Employment spending, considering them as two different priority sectors⁶. It would be important that also the LOE classified Social Action and Labor & Employment as two distinct priority sectors, as they have different goals and target different populations.

In addition, although the 2019 LOE does not include price subsidies (i.e. fuel subsidies, wheat flour subsidy, and transporter subsidy), Public Enterprise Subsidies have been again incorrectly included under the Social Action & Labor Sector. These subsidies are **allocations to cover exploration deficits of public enterprises and should not be considered in any way as social action expenditure**. For these reasons, and with the purpose of further improving transparency of the sector's spending, **this Budget Brief will focus exclusively on Social Action and exclude both Labor & Employment, and Subsidies.**

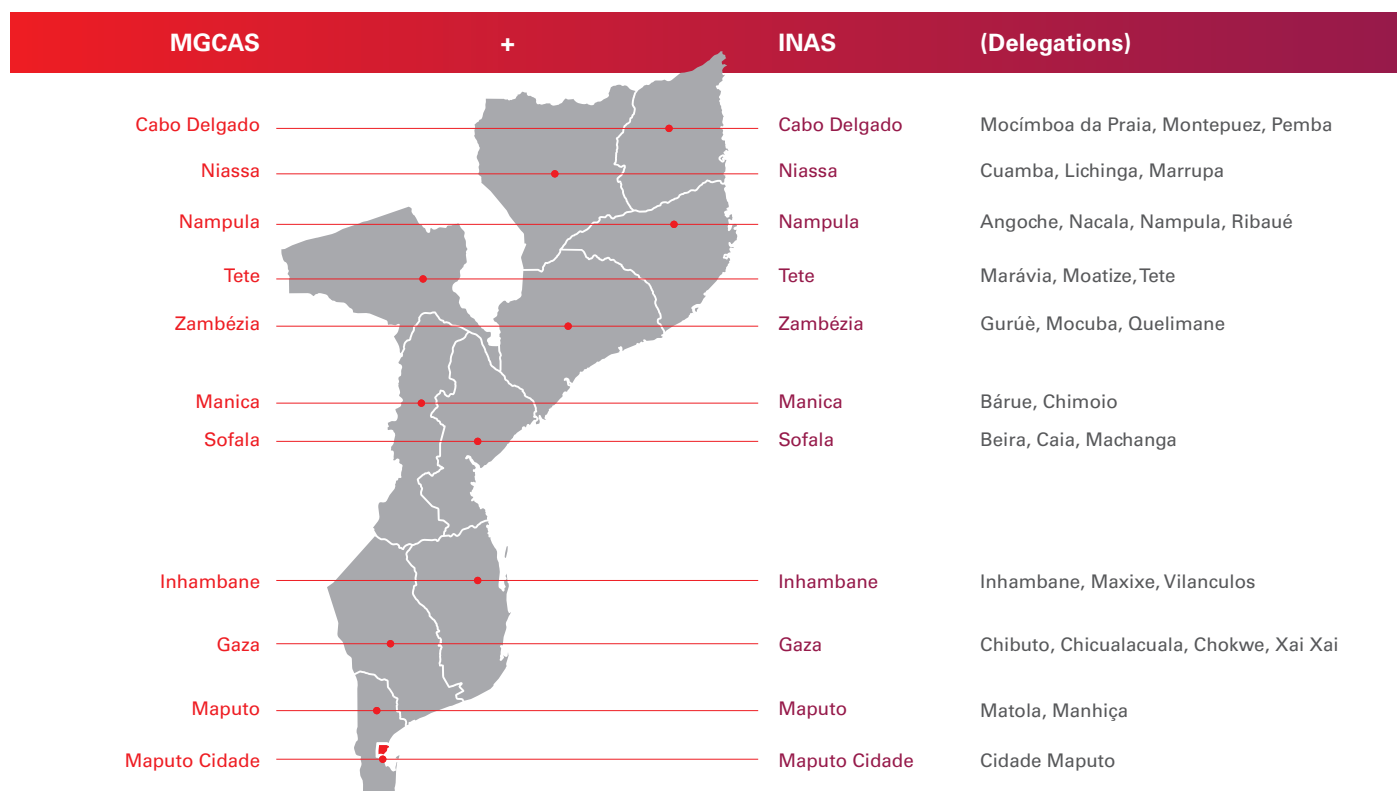
The Social Action Sector is managed at the central level by the Ministry of Gender, Children and Social Action (MGCAS) as well as the National Social Action Institute (INAS).

At the sub-national level, the sector is managed by MGCAS Provincial Directorates and INAS Provincial and District Delegations. While in the past other institutions belonged to the sector's organigram, DNPO's latest "Methodology for the calculation of Priority Expenditure" has clarified that the Ministry of Veterans' Affairs (MAAC) ceased to be included in the sector and the budget for the District Services for Health, Women's Affairs, and Social Action (SDSMAS) is accounted for within the Health Sector. In total, the Social Action Sector is composed of 32 autonomous budget holding institutions (see **Figure #1**).

The Social Action Sector is guided by the National Basic Social Security Strategy (ENSSB) for 2016-2024⁷.

According to the ENSSB, the State Budget should allocate 2.23 percent of GDP to Social Protection interventions by 2024. Additionally, two multisector strategic plans define Social Action Sector targets: (i) the PQG 2015-2019 states that 25 percent of vulnerable households should be covered by basic social security programs by 2019 and (ii) the National Development Strategy (ENDE) 2015-2035 states that 75 percent of vulnerable households should be covered by basic social security by 2035.

FIGURE 1 Organigram of the Social Action Sector



Source: Author's compilation from CGE 2009-2017; LOE 2018.

Note: There is a total of 20 INAS District Delegations located across nine Provinces.

⁶ 2017 CGE, Mapa III-3 economic and social sector spending. 2018 REO II, Table 30 -Economic and social sector spending.

⁷ The Social Action Strategy, which was approved by the Council of Ministries on 23 February 2016, defines the guiding principles and targets for basic Social Protection in Mozambique.



2. What Trends Emerge from the Social Action Budget?

In the 2019 State Budget the Social Action Sector was allocated MT 6.9 billion (US\$ 113 million). In nominal terms, the 2019 sector's budget represents a 13 percent increase relative to last year's initial allocation, a 5 percent increase relative to updated allocation, and a 36 percent increase relative to expenditure (see [Glossary of budget terminology](#)). In real terms, it represents a 9 percent increase compared to 2018 allocation, no percentage change compared to updated allocation, and a 31 percent increase relative to expenditure. Historically, the 2019 social allocation is the largest ever both in nominal and real terms (see [Figure #2A & B](#)). Nevertheless, it must be noted that the sector's initial allocation may not be a reliable indication of how much will be actually spent in the sector by the end of the fiscal year. In fact, although initial allocations and actual expenditure have been overall well-aligned over time, disparities between budget and expenditure have increased over the past five years. Decreased execution rate is mostly related to the underperformance of the PASP program, which has dragged down the sector's aggregate execution rate (see [Paragraph 5](#)).

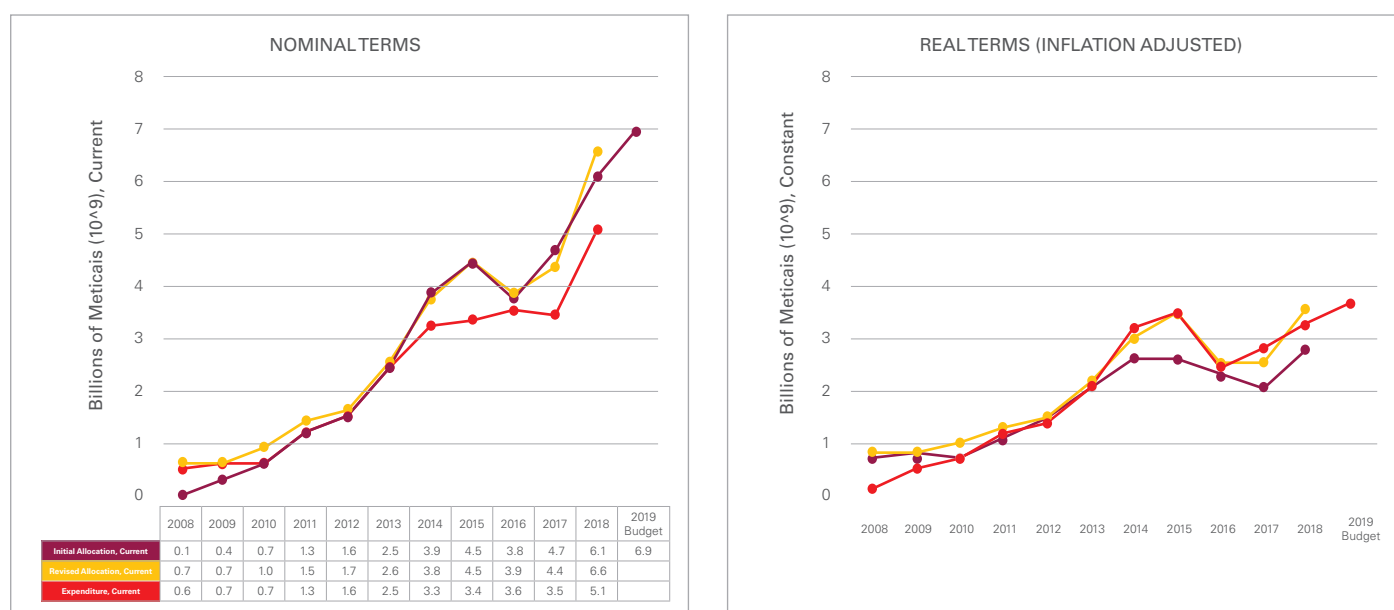
The Social Action Sector has shown the largest nominal and real-terms expenditure increase over time relative to other social sectors. Between 2008 and 2018, the nominal actual expenditure grew from MT 0.6 b in 2008 to MT 5.1 b in 2018 (or by over 700 percent), while real-terms expenditure increased from approximately MT 0.7 b in 2008 to MT 2.9 b in 2018 (or by over 300 percent). This is the only social sector to register such remarkably large percentage increase in expenditure both in nominal and real terms over the past decade; in fact, nominal increase in expenditure for the other sectors ranged between 160 percent and 200 percent, while real-terms increase ranged between 50 and 80 percent over the same period.

The increase in Social Action spending was largely due to the increase in INAS budget: in fact, INAS' share of the sector grew by almost four times, from 23 percent in 2008 to 90 percent in 2019. This allowed INAS to more than double coverage of its Programs: Basic Social Subsidy Program (PSSB), Direct Social Action Program (PASD), Productive Social Action Program (PASP), and Social Action Social Services (SSAS). (see [Section 4.3](#) for more details on Social Action Programs).

The 2019 Social Action sector's budget occupies a 2 percent share of the entire State Budget, which is higher than last year's share of 1.7 percent (see [Figure #3](#)). According to the methodology that the Government of Mozambique applies to calculate sector shares – which takes out financial operations, debt servicing and subsidies from the common denominator of the entire State Budget – the Social Action Sector share increased from 2.2 percent in 2018 to 2.6 in 2019 Budget⁸. In addition, when looking at trends over the past decade, Social Action is the only of the four social sectors that saw its share of total expenditure increase. In fact, the sector's weight more than doubled over the past decade⁹. Although the sector is receiving the smallest share of public spending relative to other social sectors, the increasing share demonstrates the Government's commitment to improving Social Action in Mozambique.

In 2019 Budget, the Social Action Sector is worth 0.7 percent of expected Gross Domestic Product (see [Figure #3](#)). This represent an increase relative to the 0.6 percent share of GDP in 2018. Nevertheless, the sector is still far from meeting its ENSSB goal of allocating 2.24 percent of GDP to social action by 2024. Hence, larger budgetary allocations to the sector are needed.

FIGURE 2A & B Social Action Sector budgeting and expenditure



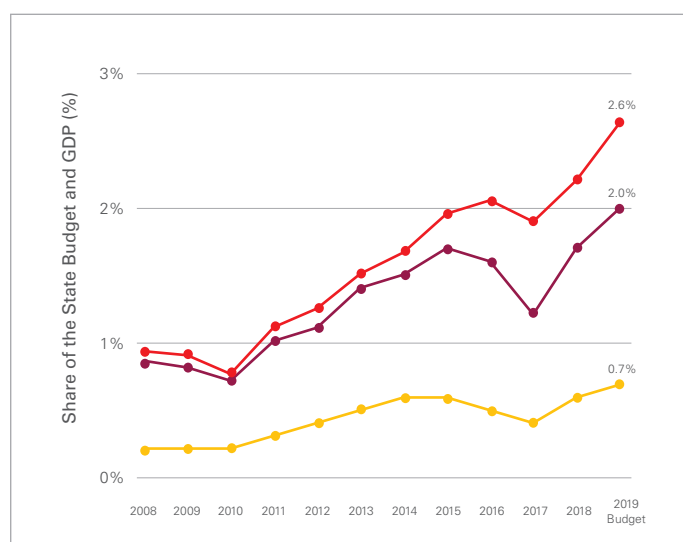
Source: Author's calculations from the CGE 2008-2017, REO IV 2018, LOE 2019. World Bank, World Development Indicators: Consumer Price Index (2010 = 100).

Note: While years 2008-2018 display expenditure figures, 2019 is the initial budget allocation

⁸ The Government of Mozambique, instead of using the total volume of the State Budget as a denominator, calculates the percentage share utilizing the total State Budget minus debt servicing, financial operations, and subsidies. This report calculates shares out of the total State Budget as is standard practice for international benchmarking.

⁹ This share is computed considering the narrow definition of Social Action (MGCAS/INAS activities only) and including financial operations and debt servicing in the denominator.

FIGURE 3 Trends in the weight of the Social Action Sector relative to total government spending and GDP



■ Social Action Sector share of State Budget ■ Social Action Sector share of State Budget less financial operations, debt servicing, and subsidies ■ Social Action Sector share of GDP

Source: Author's calculations from the CGE 2008-2017; REO IV 2018, LOE 2019.

Note: The 2019 shares are initial budget allocations while the 2008-2018 shares are expenditure.



3. What is the Source of Social Action Sector Resources?

The Social Action Sector in Mozambique is financed with internal (i.e. domestic) and external (i.e. foreign) resources. Internal resources are derived from taxes, tariffs, duties, and internal credits. Up until 2015, internal resources were supplemented by General Budget Support (GBS) from a group of donors (DFID and the Netherlands) to partially fund PSSB programme, but never represented more than 20% of INAS total expenditure (2011). External resources allocated to the Social Action

Sector are “Bilateral Project Funds,” which are grants or credits. Bilateral project funds are –in theory– coordinated between the donor and MGCAS and applied through a variety of modalities including: (i) direct government support with government-only or joint partner-government implementation, often “On-Budget, On-CUT¹⁰”; (ii) partner or third-party implementation, often “On-Budget, Off-CUT¹¹”; or (iii) partner or third-party implementation, but “Off-Budget”.

3.1 Internally- versus Externally-sourced Resources

The Government of Mozambique has reached its largest nominal contribution to Social Action in 2019, which is the culmination of a ten-year long trend of increasing internal funding to the sector (see Figure #4A). In nominal terms, internal resources allocated to Social Action in 2019 Budget are worth MT 4.6 b, which is an increase by approximately 8 percent relative to 2018. Over the past decade, the Government’s contribution to the sector has demonstrated a remarkable increasing trend as it went from MT 0.37 b in 2008 to MT 4.6 b in 2019 (i.e. over 1000 percent larger). In real terms, the internal contribution to the sector increased by 4 percent relative to 2018, and by over 480 percent than in 2008.

In proportional terms, the 2019 ratio of internal to external Social Action resources in the 2019 State Budget is 67 to 33 percent (see Figure #4B). Nevertheless, it is necessary to specify that the only external investment to the sector is the World Bank credit that funds the PASP program. Although this program is tracked in the State Budget Law as external resource, the Mozambican Government will have to pay back the loan and the corresponding interest. Hence, **the PASP program is de facto entirely internally-funded**. Finally, the Social Action sector benefits from technical and financial support from international partners (i.e. ILO, UNICEF, WFP, DFID, Sweden, Netherlands, Ireland, etc.) in developing and strengthening the country’s Basic Social Protection system, but this support is not tracked in the State Budget Law as the funds are not directly transferred to the national treasury.

¹⁰ On Single Treasury Account: The donor is giving the money through the Ministry of Finance Bank account.

¹¹ Off Single Treasury Account: The donor is implementing the project directly without channeling the money through the Ministry of Finance bank account.

FIGURE 4A & B

Provision of internal versus external resources



Source: Author's calculations from the CGE 2008-2017; REO IV 2018, LOE 2019.

Note: The 2019 shares are initial budget allocations while the 2008-2018 shares are expenditure. World Bank Group loan in support of the PASP program is tracked in the Government Budget as external fund. While this analysis is based on the internal vs. external resource disaggregation provided in the Budget, it is worthwhile highlighting that Mozambique will have to pay back the loan and related interest. Hence, the PASP program is de-facto fully internally funded.



4. How are Social Action Resources Spent?

The Ministry of Economy and Finance releases initial funds (dotação inicial) via the CUT to each autonomous budget-holding social action institution (e.g. INAS delegations) and subsequently updates the allocation based on budget execution rates and available resources (dotação actualizada). The institutions track spending (execução)

through the e-SISTAFE (Government integrated financial management information system), which sources quarterly budget execution reports (REOs) and the annual General State Account (CGE). The way the 2019 Social Action budget will be spent can be analyzed from the following four perspectives:

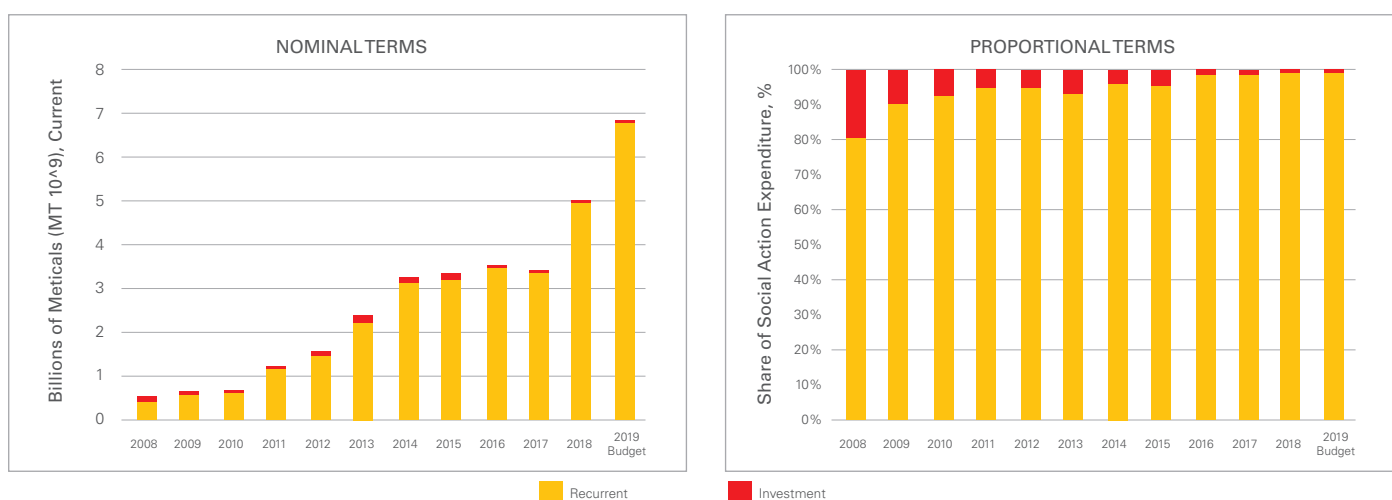
4.1 Recurrent versus Investment Spending

In nominal terms, the recurrent spending for the Social Action sector is budgeted at MT 6.88 b in 2019, while investment is budgeted at MT 0.05 b (see Figure #5A). In proportional terms, 2019 recurrent expenditure is expected at approximately 99 percent of the sector's total spending, which is in line with previous years (see Figure #5B). The largest

recurrent budgeted lines of spending include the Social Protection programs (see section 4.4).). It is worth noting that while the sector is growing in terms of coverage, allocations for investment and for Human Resources have declined. This affects the sector's capacity to perform effectively (See Figure #6).

FIGURE 5A & B

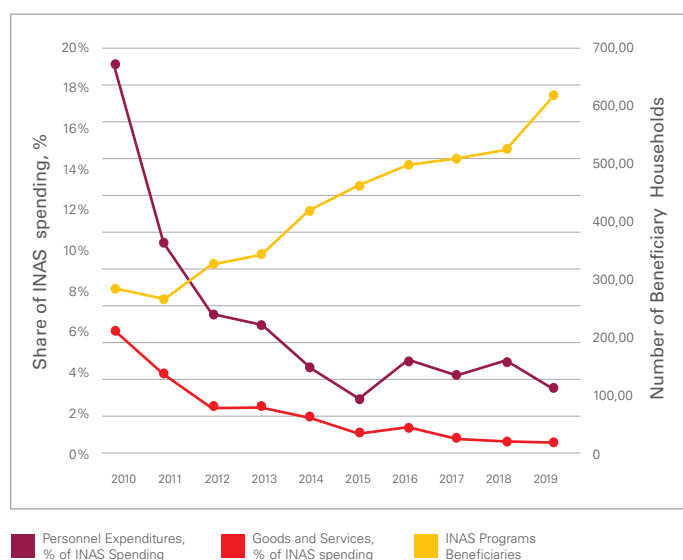
Recurrent versus investment resources



Source: Author's calculations from the CGE 2008-2017; REO IV 2018, LOE 2019.

Note: The 2019 shares are initial budget allocations while the 2008-2018 shares are expenditure.

FIGURE 6 INAS spending for staff vs. goods and services



Source: Author's calculations from the CGE 2008-2017; REO IV 2018; LOE 2019

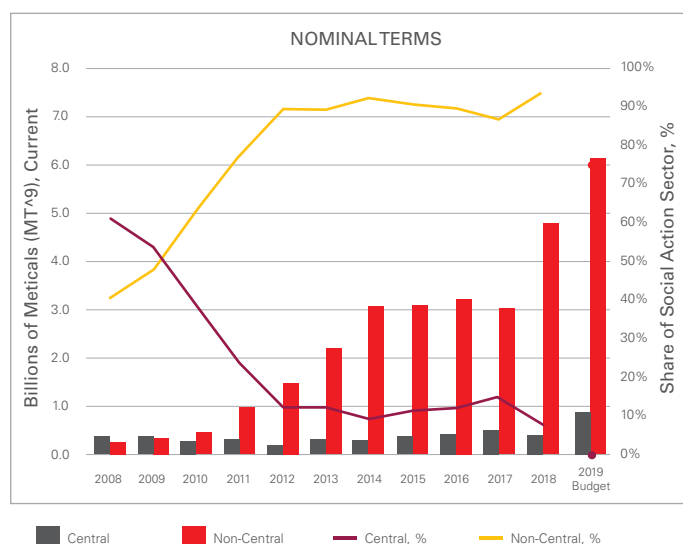
4.2 Resource Use by Social Action Institution

The 2019 State Budget dedicates over 90 percent of the Social Action resources to INAS and its delegations (see Figure #7). INAS received MT 6.5 b in 2019 Budget, which corresponds to approximately 95 percent of the sector's resources. Of which, MT 5.7 billion (or 83 percent of Social Action budget) were dedicated to INAS delegations (i.e. DPINAS and DDINAS)¹². MGCAS was allocated MT 0.3 b or 5 percent of the budget, of which the majority to the Provincial-level Directorates.

4.3 Resource use by Administrative Level

Spending for the Social Action Sector is highly decentralized to the delegation level (see Figure #8). The ratio of central to non-central resources in 2019 is 13 to 87, which represents a further decentralization of resources relative to 2017 and 2018 when the ratio stood at 15 central to 85 non-central.

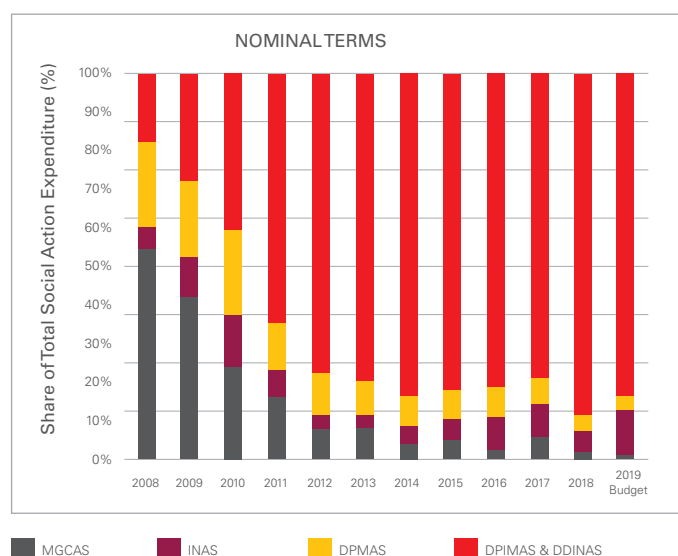
FIGURE 8 Resource shares by administrative level



Source: Author's calculations from the CGE 2008-2017; REO IV 2018; LOE 2019.

Note: The 2019 shares are initial budget allocations while the 2008-2018 shares are expenditure.

FIGURE 7 Resource shares by institution



Source: Author's calculations from the CGE 2008-2017; REO IV 2018; LOE 2019.

Note: The 2019 shares are initial budget allocations while the 2008-2018 shares are expenditure.

4.4 Resource Use by Social Protection Programs (INAS Programs)

INAS Social Protection Programs were allocated a total MT 5.4 b in 2019 budget (see Figure #9 A & B). This corresponds to 78 percent of the Social Action Sector's budget, 1.6 percent of total State Budget, and 0.5 percent of GDP (see Figure #10). Over the past five years, the allocation of resources to INAS Programs constantly increased from MT 3.6 b in 2015 to MT 5.4 b in 2019. Among the four programs, PSSB¹³ has been consistently allocated most of the resources over the past four years, followed by PASP¹⁴, PASD¹⁵ and SSAS¹⁶. In 2019 Budget, the PSSB received MT 3.4 b (62 percent) (see Box #2 on the new Child Grant Program under PSSSB); the PASP was allocated MT 1.7 b (31 percent); The PASD MT 283 b (or 5 percent). Two new programs were introduced: the Programa de Atendimento en Unidades Sociais and the Programa de Servicos de Accao Social (formerly SSAS), which received MT 80 m and MT 5 m respectively (or a cumulative 2 percent).



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¹² There are 30 INAS delegations, each covering 5 districts on average. This poses logistical challenges and constraints (e.g. long distances to be covered to pay transfers, etc.)

¹³ Programa Subsídio Social Básico (PSSB) targets vulnerable households with no labour capacity, mainly people in old age and people with disability.

¹⁴ Programa Acção Social Productiva (PASP) – Public Works Programme, targets poor households with at least one member with labour capacity.

¹⁵ Programa Acção Social Directa (PASD) targets household affected by shocks.

¹⁶ Social Services

FIGURE 9A & B

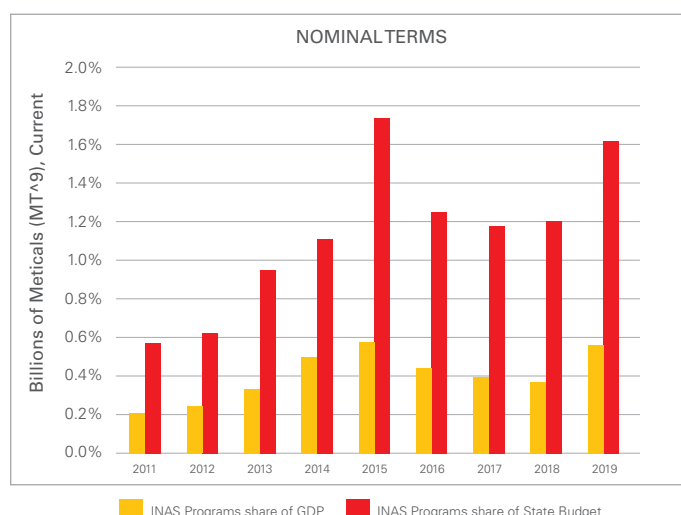
Allocations to INAS Social Protection Programs



Source: Author's calculations from LOE 2015-2019.

FIGURE 10

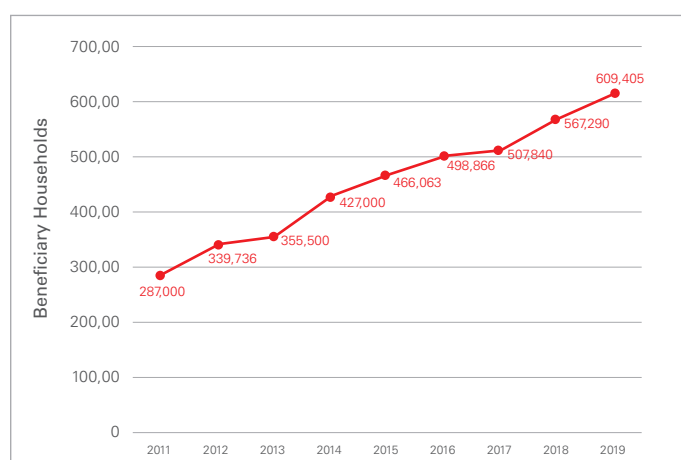
INAS Social Protection Programs as a share of GDP and Total State Budget



Source: Author's calculations from the CGE 2008-2017, REO IV 2018, LOE 2019

FIGURE 11

Beneficiary Households of INAS Social Protection Programs



Source: Author's calculations from the CGE 2008-2017, REO IV 2018, LOE 2019, and Balanco do PES 2018.

¹⁷ In 2018, Social Protection programs reached 92 percent of the planned beneficiaries for that year.

INAS programs are targeting 609,405 beneficiary households in 2019 (see Figure #11). This is a 7 percent increase relative to the 567,290 planned beneficiaries in 2018, but a 16 percent increase relative to the 523,689 actual beneficiaries in the same year.¹⁷ Through the Decree n.59/2018 for the Revision of the Value of Social Assistance Programs Subsidies, approved on 6 August 2018, the Government has updated the subsidies values. Under the PSSB, the new values for subsidies are as follow: (a) MT 540 for one-person households; (b) MT 640 for two-person households; (c) MT 740 for three-person households; (d) MT 840 for four-person households; MT1,000 for five-persona households. Under the PASP, the value of subsidy was updated to MT 1,050. **(see Table #1 for details on beneficiaries of the Social Protection transfer programs under the ENSSB I and II).**

BOX 2

The Child Grant Program

In September 2018, MGCAS launched the start-up phase of the new Child Grant Program under the PSSB. The Child Grant program has three main goals: i) reducing poverty; ii) improving the child wellbeing; iii) improving access to social services.

The program comprises of two main components: the cash component and the care component. The first consists of a monthly unconditional cash transfer of MT 540 to the primary caregiver (usually the mother) from childbirth to 2 years of age for children living in poor and vulnerable households and at risk of malnutrition. The second component includes a nutrition support package and case management aiming to facilitate the provision of community support and referrals to social and child protection services available.

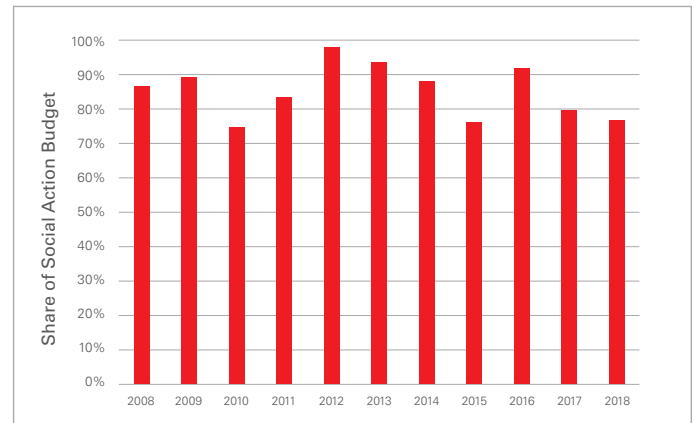
The program start-up phase targeted four districts in the Nampula Province that were identified with high levels of poverty and poor child nutrition outcomes (i.e. Lalaua, Mogincual, Nacala a Velha and Ilha de Mocambique). An impact and process evaluation is planned for the end of 2019 with the goal of estimating the effects of the program, as well as to analyze and inform program procedures related to access mechanisms. Funds for the programme have been off budget until 2019. The Government has included funds for the expansion from 2020 onwards to PES and on budget.



5. How Well Has the Social Action Sector Executed its Past budgets?

The Social Action Sector executed 77 percent of 2018 sector's budget (see Figure #12). This rate falls behind the average 86 percent execution rate recorded over the past 10 years, and it is 3 percentage points lower than 2017 execution rate. Low execution of the PASP program has been responsible for dragging down the aggregate execution rate of the Social Protection Sector, whilst the other INAS programs performed well (see Figure #12). Nevertheless, Social Action execution rate in 2018 was still higher than the other social sectors, except that in the Education sector¹⁸.

FIGURE 12 Social Action Budget execution



Source: Author's calculations from the CGE 2008-2017, REO IV 2018, LOE 2019



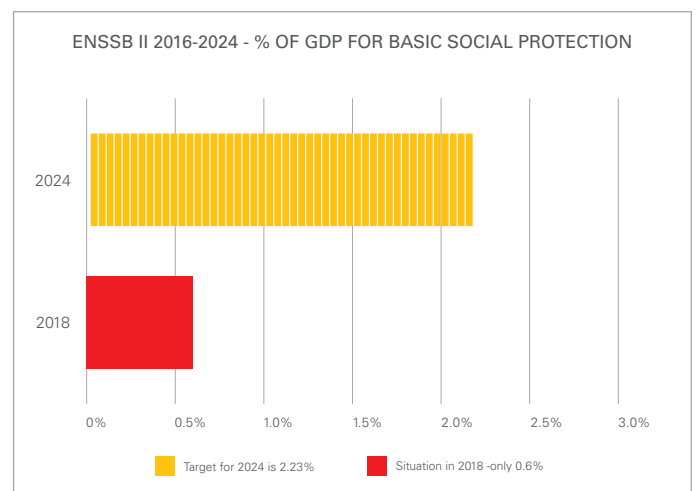
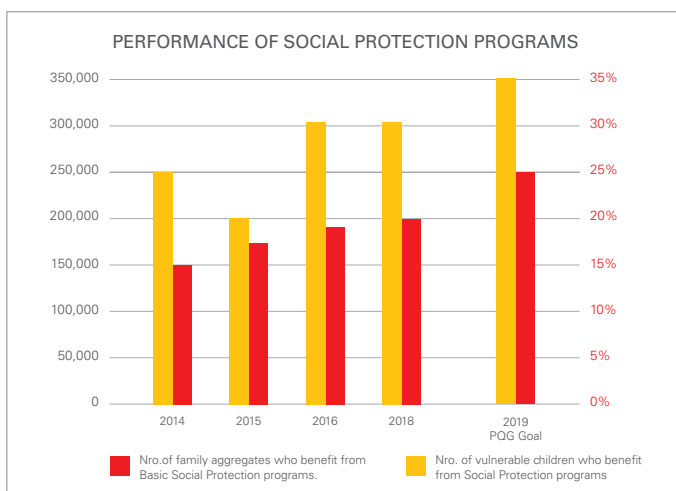
6. How Has the Social Action Sector Performed relatively to Strategic Objectives?

Despite a remarkable increase in beneficiaries of Social Protection programs in Mozambique over recent years, the current level of coverage is still below the Government's strategic goals. As mentioned above, the sector's medium-term strategic goal is to cover 25 percent of poor and vulnerable households by 2019 (PQG) and, the long-term strategic objective is to reach 75 percent of households in need (ENDE)- starting from a baseline of 15 percent coverage in 2015. In 2018, Social Protection coverage reached approximately 19 percent of vulnerable households¹⁹. While 2019 planned number of INAS beneficiaries will bring Social Protection coverage closer to its 2019 PQG target at about 22 percent, it is unlikely that the 25 percent target

will be met. In fact, trends from recent years show that the number of beneficiaries reached by the program on a yearly basis was approximately 10 percentage points below the planned target for the same year.

The Allocations to the Social Protection Programs should keep growing at a constant pace to achieve the Government's strategic objectives in the sector. Additional investments and human capital improvements will be needed to strengthen Social Protection systems through processes that have already been initiated such as (i) modernizing the systems to manage beneficiaries with the development and roll-out of e-INAS, (ii) outsourcing payment mechanisms, (iii) re-registering current beneficiaries, etc.

FIGURE 13 Performance of Social Protection programs relative to Country's Strategic Objectives



Source: Mid-term Review of PQG 2015-2019, page 7.

¹⁸ The Education Sector has shown the highest execution rate of 92 percent over the past decade.

¹⁹ Author's calculation based on the poverty rate of 46 percent (i.e. population below the equivalent of USD 1.9/a day) from the 2016 4th National Poverty Assessment and the number of people covered by Social Protection programs using average size of household from 2017 Census.



7. How Equitable is the Social Action Budget?

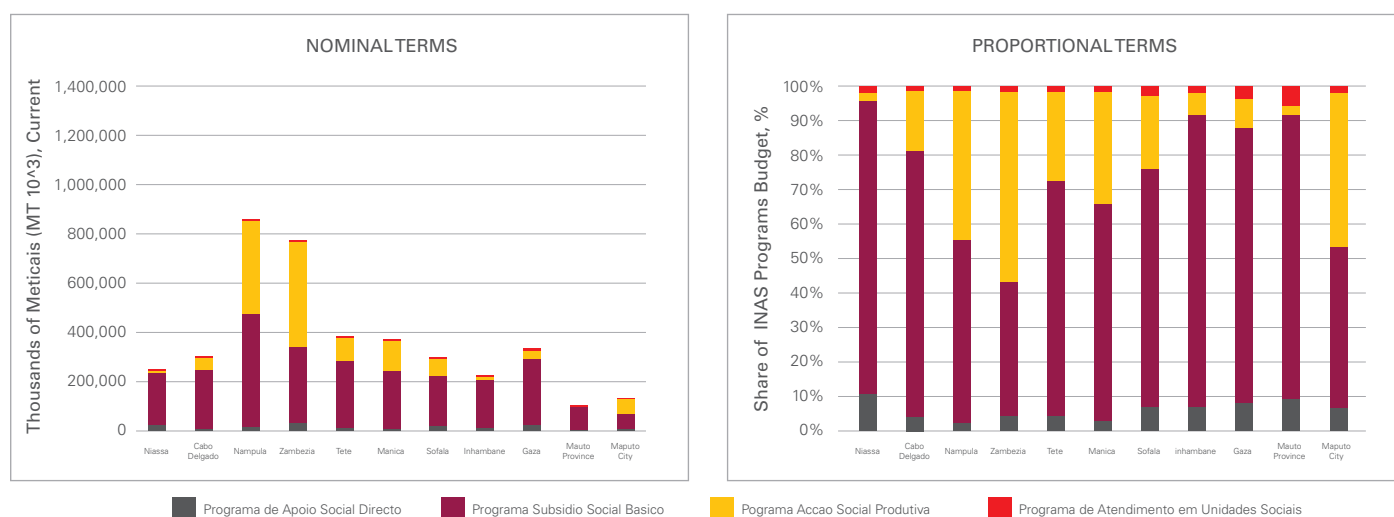
While the Social Protection programs allocations to most disadvantaged provinces have increased in nominal terms, per-capita allocations are not equitable yet. The four social protection programs (PSSB, PASP, PASD and SSAS) receive allocation from INAS based on objective criteria that aim at reducing inequities in the geographical distribution of resources. Nevertheless, per capita allocations per province do not seem equitable yet.

The provinces with the high poverty prevalence such as Nampula and Zambézia provinces continue to receive the largest allocations from INAS programs in nominal terms (see Figure #14). In 2019 Budget, Nampula and Zambézia were allocated MT 1.1 billion and MT 1 billion respectively, followed by Tete, Manica and Gaza that received approximately MT 500 million each. Maputo Province and

Maputo City continue to receive the lowest nominal allocation to INAS programs, respectively MT 146 million and MT 182 million.

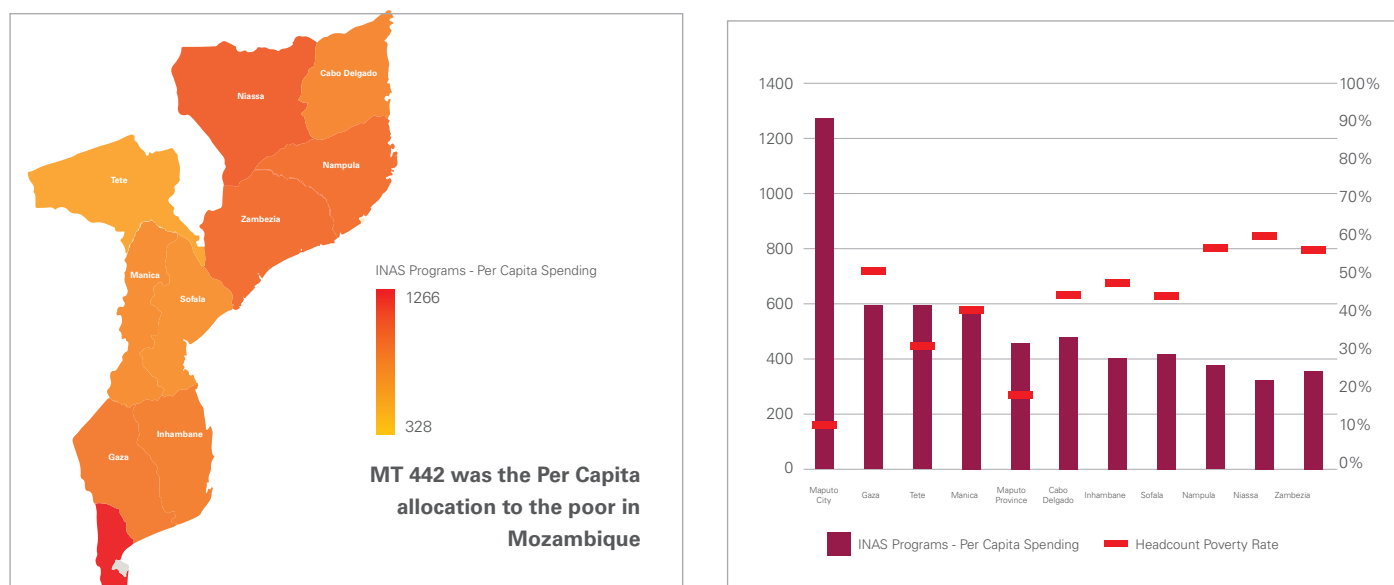
Nevertheless, per-capita Social Action Sector spending on the poor remains the lowest in Niassa, Zambézia, and Nampula (see Figure #15). Although these three provinces receive the largest nominal allocations, on a per person basis (i.e. per capita allocation among the poor population), they receive the lowest allocation. While the national average pro-poor allocation per year is worth approximately MT 442, in Niassa the pro-poor allocation is MT 328, while that in Maputo City is MT 1266. This points out an increased gap in the distribution of the sector resources on a per capita basis across the population below the nationally defined poverty line of USD 1.90 a day²⁰.

FIGURE 14A & B 2019 Allocations to INAS Programs by Province



Source: Author's compilation from the 2019 LOE, considering the MEF 2017 Poverty Incidence Index from the Fourth National Poverty Assessment.

FIGURE 15 Geographical equity of Social Action spending



Source: Author's compilation from the 2019 LOE, considering the MEF 2017 Poverty Incidence Index from the Fourth National Poverty Assessment.

²⁰ Author's calculations based on 2019 LOE and MEF 2017 Poverty Incidence Index from the Fourth National Poverty Assessment.



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GLOSSARY OF BUDGET TERMS:

- **Initial Allocation** (Dotação Inicial): The first allocation of funds, approved by Parliament
- **Updated Allocation** (Dotação Atualizada): The total funds that arrive at the disposal of a given social action institution
- **Expenditure** (Despesa Realizada): Allocated funds spent on social action investment and recurrent costs
- **Budget Execution** (Execução do Orçamento): Percentage of allocated funds spent out of the total allocation
- **Nominal Values; Current:** Numbers not corrected for the effect of inflation
- **Real Values; Constant:** Numbers corrected for inflation
- **Proportional terms:** Shares expressed in percentages.

LIST OF ACRONYMS:

- | | | | |
|---------------------|--|------------------|---|
| - b: | Billion | - MT: | Mozambican Metical (Local Currency) |
| - CGE: | General State Account (Final Budget Report) | - PASD: | Direct Social Action Program |
| - CFMP: | Medium-term Fiscal Plan | - PASP: | Productive Social Action Program |
| - CUT: | Single Treasury Account | - PES: | Economic and Social Plan |
| - ENDE: | National Development Strategy | - PQG: | Government Five Year Plan |
| - ENSSB: | National Basic Social Security Strategy | - PSSB: | Basic Social Allowance Program |
| - e-SISTAFE: | Financial Management Information System | - REO: | State Budget Execution Report (Budget Update Report) |
| - GDP: | Gross Domestic Product | - SDSMAS: | District Service for Health, Women, and Social Action |
| - ILO: | International Labor Organization | - SSAS: | Social Action Social Services |
| - INAS: | National Social Action Institute | - UGB: | Autonomous Budget Holder Code |
| - LOE: | State Budget Law | - UNICEF: | United Nations Children's Fund |
| - MAAC: | Ministry of Veterans' Affairs | - US\$: | United States Dollar (Currency) |
| - MEF: | Ministry of Economy and Finance | - WB: | World Bank |
| - MGCAS: | Ministry of Gender, Children and Social Action | | |
| - m: | Million | | |

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