

SOCIAL ACTION
BUDGET BRIEF

MOZAMBIQUE 2020

Key Messages¹:

- 1** Despite the continuous increase of budget allocation for social protection since 2010, the level of fiscal space dedicated to basic (non-contributory) social protection programs is still below the needs and unless it gets strongly enhanced, it is unlikely the system will meet the target set in the ENSSB 2016-2024 (2.23% of GDP).
- 2** The targeted coverage of Social Protection programs defined in the 2015-2019 PQG has not been met as a result of insufficient sector allocations as well as inefficiencies in budget execution. With the negative impact of COVID-19 on income for Mozambican population, the needs for social protection are greater than ever. Hence, a rapid expansion of the coverage is even more needed, and therefore, much greater budget allocation for 2020 and 2021 is required.
- 3** Budget support from major donors (such as WB and others) provides an important opportunity for the Social Protection sector to meet the ambitious targets for coverage expansion. A strong monitoring, reporting and accountability mechanism are needed to secure resource access, and an effective use of e-INAS could be the key.
- 4** While higher budget allocation is provided to the provinces with higher poverty/vulnerabilities, a large gap is yet to be filled. In 2020 budget, per capita (per poor person) allocation in poor provinces in the North is much lower than that in the relatively wealthier provinces in the South. In order to reduce inequity, an expansion of the coverage is needed, as well as the prioritization of areas with higher poverty rates.

1

How is the Social Action Sector Defined?

The Social Action Sector refers to the institutions in charge of Mozambique's basic (non-contributory) social protection system that receive autonomous budget allocations through the State Budget. 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), its implementation arm. At the sub-national level, the sector is managed by MGCAS representation at province level and INAS Provincial and District Delegations². In total, the Social Action Sector is composed of 32 autonomous budget holding institutions

This Budget Brief focuses exclusively on the allocations to Social Action and exclude Labor & Employment, as well as Subsidies. In recent years, State Budget Laws (LOEs), State Budget Execution Reports (REOs) and General State Accounts (CGEs) have reported Social Action spending in different ways, by either combining it with Labor & Employment into a single priority sector, or by keeping it distinct from Labor & Employment. It is important to highlight that Social Action and Labor & Employment need to be considered as two distinct priority sectors, as they pursue different goals and target different populations. In addition, Public Enterprise Subsidies –

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 previous editions. 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 and ILO.

2. 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.

which have often been mistakenly included in the Social Action sector in official budget and expenditure documents— should not be in any way considered part of social action expenditure as they cover exploration deficits of public enterprises.

The Social Action Sector is guided by the National Basic Social Security Strategy (ENSSB) for 2016-2024³ and by multisectoral strategic plans. 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 2020-2024 states that 28 percent of vulnerable households (i.e. households below the nationally defined poverty line) should be covered by basic social security programs by 2024 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.

Table 1: Social Action Strategic Framework



Figure 1: Organigram of the Social Action Sector



Source: Author's compilation from CGE 2009-2018; REO 2019 and LOE 2020.

Note: There is a total of 21 INAS District Delegations and 9 INAS Provincial Delegations located across 11 Provinces.

3. 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

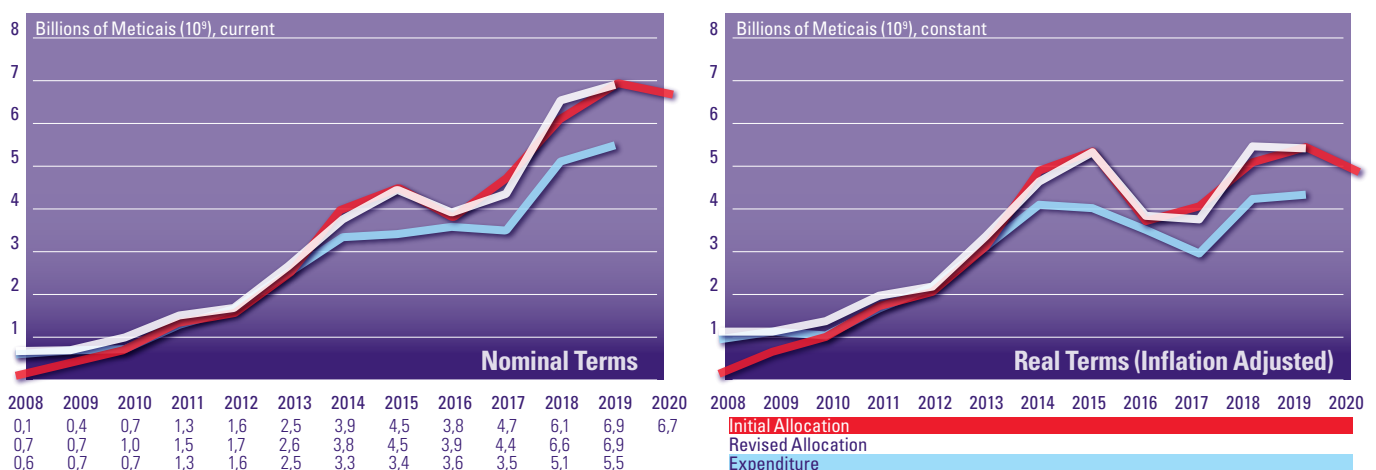
What trends emerge from the Social Action Budget?

The 2020 State Budget is worth MT 345 billion (b), in nominal terms. This represents the largest State Budget ever approved in Mozambique. Relatively to 2019, this year's budget increased by 1 percent in nominal terms but decreased by approximately 6 percent in real terms⁴.

In the 2020 State Budget, the Social Action Sector was allocated MT 6.7 billion. In nominal terms, the 2020 Social Action budget represents a 3 percent decrease compared to last year's initial and updated allocations but a 22 percent increase compared to 2019 expenditure. (see *Glossary of budget terminology*). In real terms (i.e. inflation-adjusted), this

year's sector allocation represents a 10 percent decrease relative to 2019 initial and updated allocations, but a 13 percent increase relative to 2019 sector's expenditure. The 2020 allocation to Social Action is historically the second largest sector initial allocation in nominal terms after 2019 allocation, but the fourth largest in real terms (see *Figure #2A & B*). However, the sector's initial allocation is not a reliable indication of how much will be actually spent in the sector by the end of the fiscal year. In fact, initial allocations and expenditure have been persistently less aligned over the past five years due to worsening execution rate related to the underperformance of PASP program⁵.

Figure 2 A & B: Social Action Sector budgeting and expenditure



Source: Author's calculations from the CGE 2008-2019, LOE 2020. World Bank, World Development Indicators: Consumer Price Index (2016 = 100).

Note: While years 2008-2019 display expenditure figures, 2020 is the initial budget allocation.

The 2020 Budget of the Social Action Sector is worth 1.9 percent of the entire State Budget representing an increase relative to 2019 sector share of 1.8 percent⁶ (see *Figure #3*). According to the methodology that the Government of Mozambique applies to calculating sector shares (i.e. by subtracting financial operations, debt servicing and subsidies from the common denominator of the entire State Budget) the Social Action Sector share increased from 2.3 percent in 2019 to 2.7 in 2020 Budget⁷. The current sector's share of state spending is more than double than that in 2008⁸.

Nonetheless, despite an historical increasing trend of allocations to the sector, the Government is still far from reaching its budgetary target for Social Protection. This year's allocation to Social Action is worth 0.62 percent of expected Gross Domestic Product (see *Figure #3*). It is evident that the country is off pace to reaching the Government strategic objective of allocating 2.23 percent of GDP to Social Action by 2024. In fact, this year's share is on par with that of 2018 and 2019 (i.e. 0.58 percent respectively).

4. Consumer Price Index (CPI), base year 2016. World Bank Group, World Development Indicators.

5. Public Works Program, funded mostly through a World Bank Group loan since 2013.

6. This figure is based on actual expenditure data for the years 2008 to 2019, and budget for 2020.

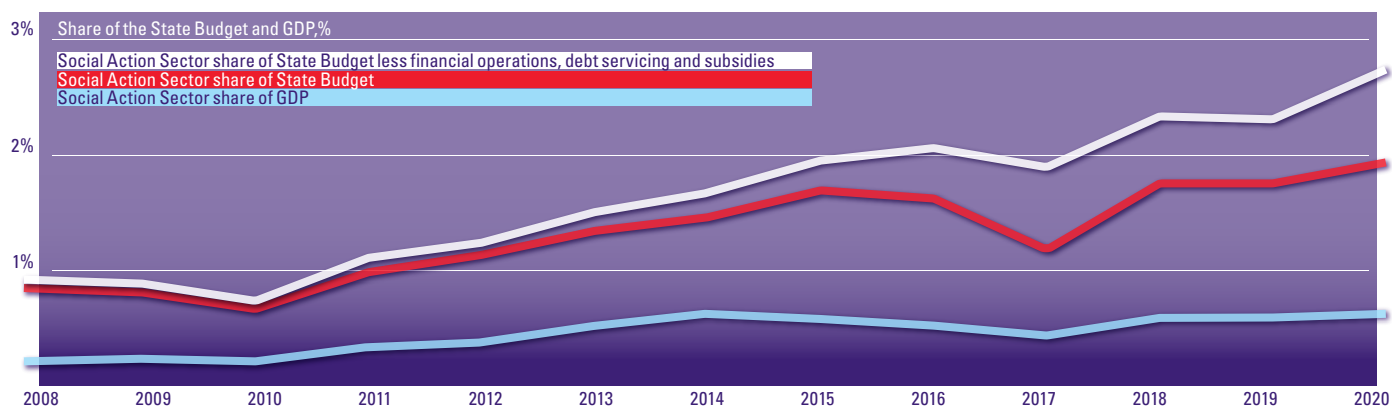
7. The Government of Mozambique, instead of using the total volume of the State Budget as a denominator, calculates the percentage share utilizing the total State Budget minus debt servicing, financial operations, and subsidies. This report calculates shares out of the total State Budget as is standard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

8. 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.



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



Source: Author's calculations from the CGE 2008-2019; LOE 2020.

Note: The 2020 shares are initial budget allocations while the 2008-2019 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 program, 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 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-CUT⁹”; (ii) partner or third-party implementation, often “On-Budget, Off-CUT¹⁰”; or (iii) partner or third-party implementation, but “Off-Budget”.



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

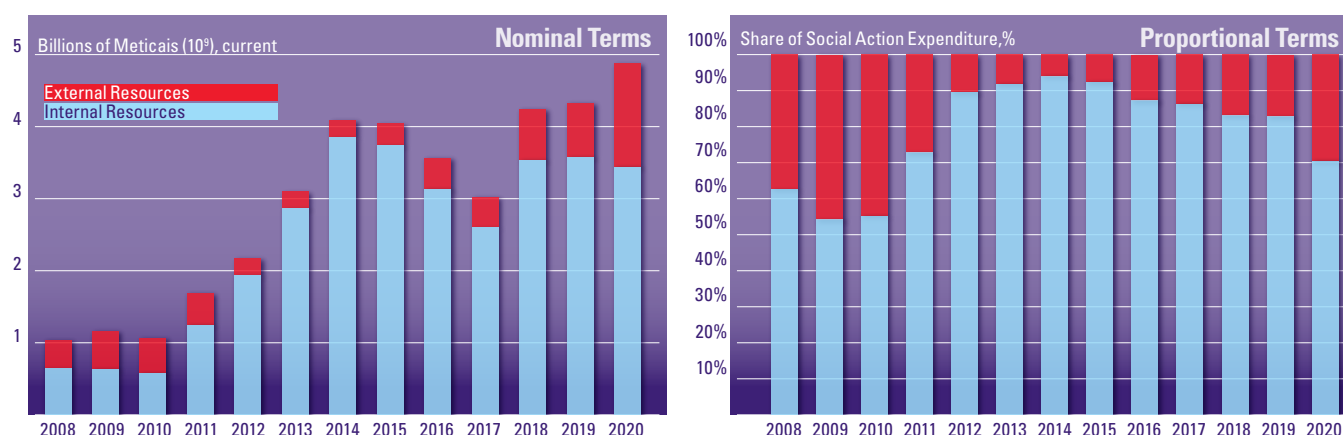
10. Off Single Treasury Account: The donor is implementing the project directly without channeling the money through the Ministry of Finance bank account.

3.1 Internally- versus Externally-sourced Resources

The 2020 domestic contribution to the Social Action sector is worth MT 4.7 b. This represents, in nominal terms, the largest ever domestic funding to the sector (see Figure #4A). Nevertheless, it decreased in real terms relative to last year. The Government of Mozambique has demonstrated its commitment to expanding and strengthening Social Protection over the past decade. In fact, the internal funding to the sector increased from MT 0.37 b in 2008 to MT 4.7 b in

2020 Budget in nominal terms, or by more than 1000 percent. In real terms, internal funding to the sector increased by approximately 435 percent between 2008 and 2020. Relative to last year, the 2020 internal contribution to the sector increased by 4 percent in nominal terms but it decreased by 3 percent in real terms, meaning that it did not keep up with inflation.

Figure 4 A & B: Provision of internal versus external resources



Source: Author's calculations from the CGE 2008-2019; LOE 2020.

Note: The 2020 shares are initial budget allocations while the 2008-2019 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.

In 2020 Budget, the ratio of internal to external sector resources is 71 to 29 percent (see Figure #4B). However, the largest external contribution to the sector - equal to MT 900 million, aprox 14 million USD¹¹ – is the World Bank credit that funds the PASP program. While this program is tracked as external resources in the State Budget, the Mozambican Government will have to pay back the loan and the corresponding interest. Therefore, the PASP program is de facto internally-funded. Later in 2020, from that initial amount, approximately 4 million USD were reallocated from PASP to PASD-PE programme to support households affected by Cyclones Idai and Kenneth. This year 2020, the PASD and PSSB programs are budgeted to receive external funding worth MT 655.4 m (aprox. 10 million USD) and MT 204.5 m (aprox. 3 million USD), respectively, through the WB's managed Multi-Donor Trust Fund (MDTF). This platform was established in 2019, when Development Partners, namely FCDO (previously DFID), Sweden and Netherlands, along with the World Bank, set up MDTF with the main objective of supporting coverage expansion for the basic (non-contributory) social protection programmes implemented by INAS. External funds programmed for 2020 through the MDTF will primarily support the implementation of PASD-Post Emergency (PASD-PE) programme in Sofala, Manica, Cabo Delgado and Zambézia provinces, hardly hit by Idai and Kenneth tropical cyclones in March 2019, and to

extend coverage within PSSB programme in Nampula and Zambézia provinces, those with higher poverty rates.

Despite funds to support post-emergency response through PASD-PE programme in provinces affected by Idai and Kenneth tropical cyclones were disbursed by Sweden, FCDO (former DFID) and Netherlands to MDTF still in 2019, technical complexities and delays in operationalization caused that actual payments to beneficiaries were only programmed to take place in 2020. It is advisable for Government and Development partners to analyze ways to increase efficiency to allocate emergency funds for PASD-PE programme to be quickly activated in the aftermath of a shock, for example, structuring a "Contingency Fund" for that purpose.

Finally, the Social Action sector receives off-budget technical (ILO, UNICEF through the UN Joint Programme on Social Protection 2018-2021) and financial (FCDO, Sweden, Netherlands, Ireland, WB, WFP, etc.) support from international partners in the development and strengthening of Mozambique's Basic Social Protection system. This year in particular, international partners are playing an important role in addressing financial challenges posed by COVID-19 pandemics¹².

11. Calculated at 65 MT/USD exchange rate.

12. See page 14 for more information on Response Plan to COVID-19 in terms of Social Protection in Mozambique.

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 available resources (dotação atualizada). The sector institutions track spending (execução) through the e-SISTAFE (Government

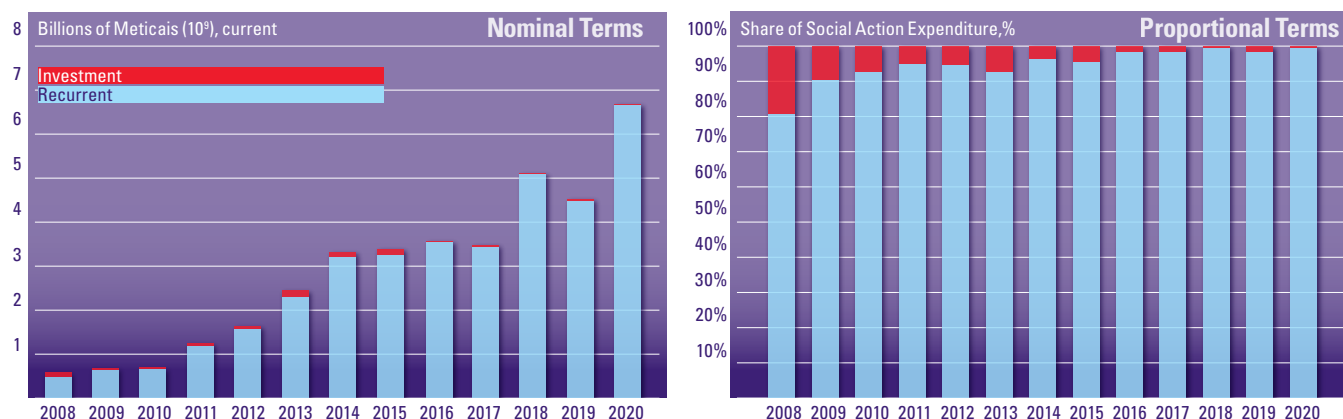
Integrated Financial Management Information System), which sources quarterly budget execution reports (REOs) and the annual General State Account (CGE). The 2020 allocations to the Social Action sector can be analyzed through four different lenses:

4.1 Recurrent versus Investment Spending

Recurrent expenditure has dominated the Social Protection Sector in recent years, while investment is not keeping up with increased allocations to the sector (see Figure #5A & B). The 2020 State Budget allocated MT 6.6 b to recurrent spending in the Social Action sector and MT 0.04 b to investment, in nominal terms. This corresponds to recurrent-to-investment ratio of 99 percent to 1 percent, which is the same ratio as last year. (see Figure #5B). The sector's

recurrent allocation is almost entirely dedicated to funding Social Protection programs (see section 4.4). While Social Protection programs (i.e. recurrent) have been growing both in funding and coverage over the past decade, the percentage share of investment has declined, particularly since 2013. This may have implications on the sector's overall performance (See Figure #6).

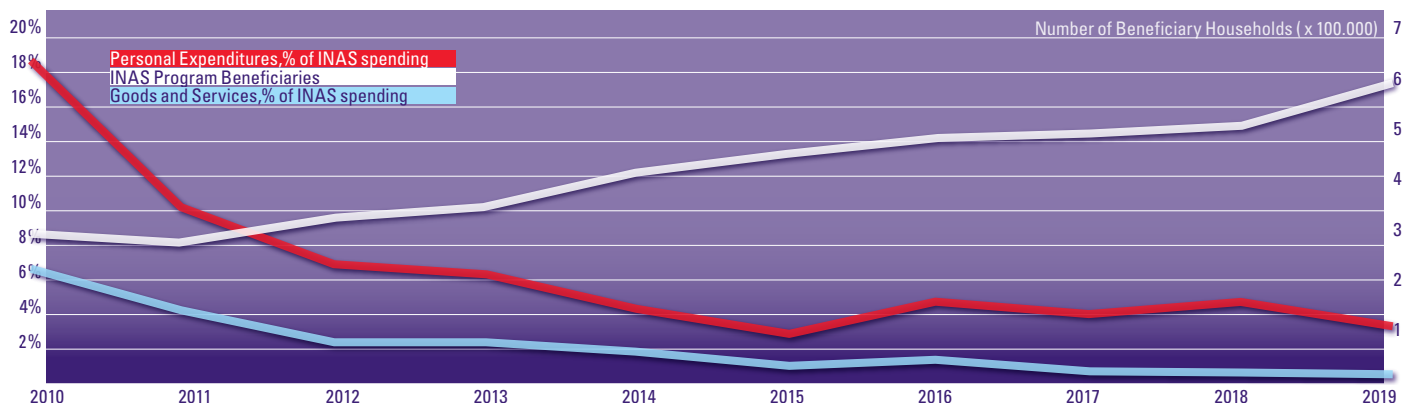
Figure 5 A & B: Recurrent versus investment resources



Source: Author's calculations from the CGE 2008-2019; LOE 2020.

Note: The 2020 shares are initial budget allocations while the 2008-2019 shares are expenditure.

Figure 6: INAS spending for staff vs. goods and services



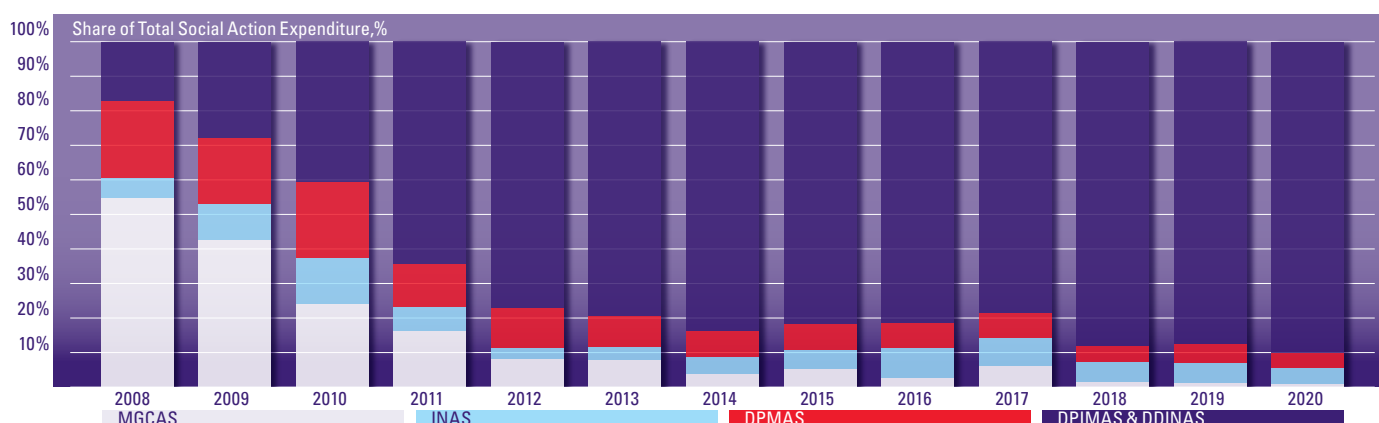
Source: Author's calculations from the CGE 2008-2017; REO IV 2018; LOE 2019

4.2 Resource Use by Social Action Institution

INAS was allocated approximately 95 percent of the Social Action budget this year (see Figure #7). INAS was allocated a total of MT 6.3 b, or 95 percent of Social Action funding. Of which, MT 6 b (or 90 percent of Social Action budget) were dedicated to INAS delegations (i.e. DPINAS and DDINAS)¹³,

which is where Social Protection programs (PSSB, PASD, PASP, PAUS) are actually implemented. MGCAS received MT 0.37 b (or 5 percent of the budget), of which MT 0.28 b were allocated to its Provincial Directorates.

Figure 7: Resource shares by institution



Source: Author's calculations from the CGE 2008-2019; LOE 2020.

Note: The 2020 shares are initial budget allocations while the 2008-2019 shares are expenditure.



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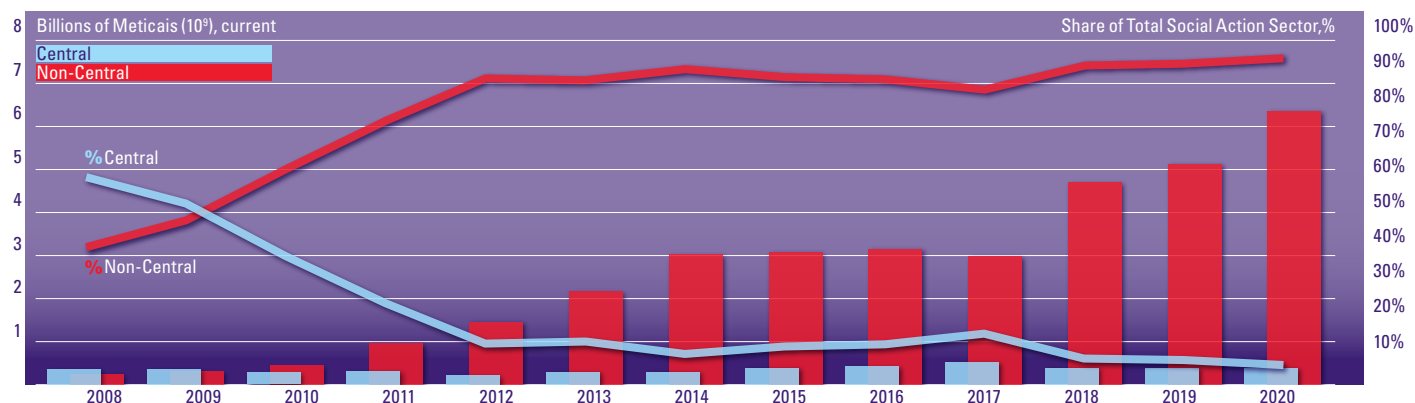
13. There are 31 INAS delegations, each covering 5 districts on average. This poses logistical challenges and constraints (e.g. long distances to be covered to pay transfers, etc.)

4.3 Resource use by Administrative Level

The Social Action sector has reached in 2020 Budget its highest degree of decentralization to the delegation level (see Figure #8). In this year's budget, central-level institutions were allocated MT 0.36 b while non-central level institutions (i.e. MGCAS Provincial Directorates and INAS delegations) received MT 6.33 b. Hence, the non-central level received 95 percent share of total sector's budget this year. This is the culmination of a twelve-year long process of decentralization of sector's resources to the delegation level. In 2008,

the central to non-central ratio stood at 60 percent to 40 percent; in 2010 it was reversed with 38 percent resources to the central level and 62 percent to the delegation level; and since then it kept increasing towards the higher levels of decentralization. This process of decentralization to the delegation level over the past few years went together with the expansion of basic (non-contributory) Social Protection coverage which corresponded to the increase in budget allocated to transfers (i.e. at the delegation level).

Figure 8: Resource shares by administrative level



Source: Author's calculations from the CGE 2008-2019; LOE 2020.

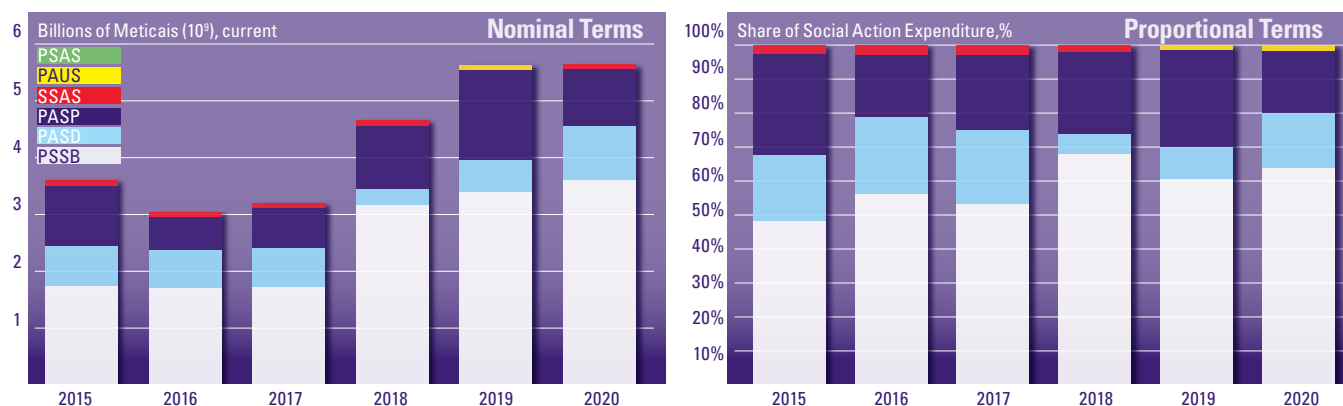
Note: The 2020 shares are initial budget allocations while the 2008-2019 shares are expenditure.

4.4 Resource Use by Social Protection Programs (INAS Programs)

The 2020 State Budget allocated MT 5.7 b to INAS Social Protection Programs (see Figure #9 A & B). The allocation to INAS programs is worth 85 percent of the Social Action Sector's budget, 1.6 percent of total State Budget, and 0.5 percent of GDP (see Figure #10). The nominal allocation to INAS programs increased from MT 3.6 b in 2015 to MT 5.7 b this year, or by 57 percent. However, the allocation to INAS

programs as a share of GDP decreased from 0.58 percent in 2015 to 0.37 percent in 2018, and increased again to just above 0.5 percent in both 2019 and 2020. Similarly, as a share of total State Budget, INAS programs allocation decreased from a 1.74 percent share in 2015 to a 1.18 percent share in 2017 and increased to 1.62 percent in 2019 and 2020.

Figure 9 A & B: Allocations to INAS Social Protection Programs

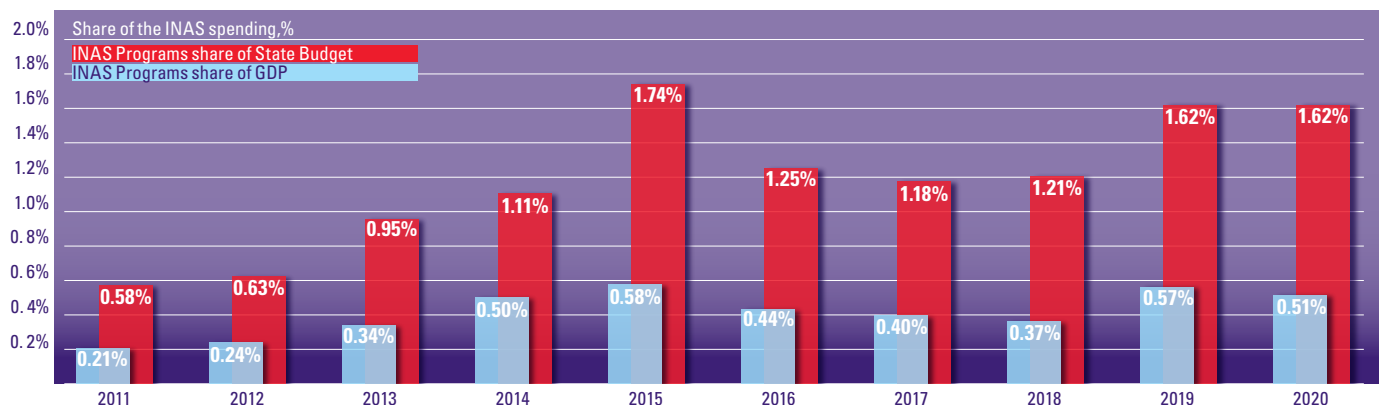


Source: Author's calculations from the CGE 2008-2019; LOE 2020.

The PSSB has been consistently the most funded social protection program in Mozambique, followed by PASP¹⁴, PASD¹⁵ and SSAS¹⁶. In this year's budget the PSSB was allocated MT 3.6 b (or 64 percent), the PASP MT 1 b (18 percent), the PASD MT 0.9 b (17 percent), and the Programa Atendimento Unidades Sociais (PAUS)¹⁷ MT 0.103 b (2 percent)¹⁸. Relatively

to 2019, it is important to highlight that the PASD allocation more than tripled as it included large funding dedicated to emergency response after last year's cyclones. On the other hand, the allocation to the PASP program decreased by about 40 percent, while the allocations to the PSSB and PAUS increased by 6 and 13 percent respectively.

Figure 10: INAS Social Protection Programs as a share of GDP and Total State Budget

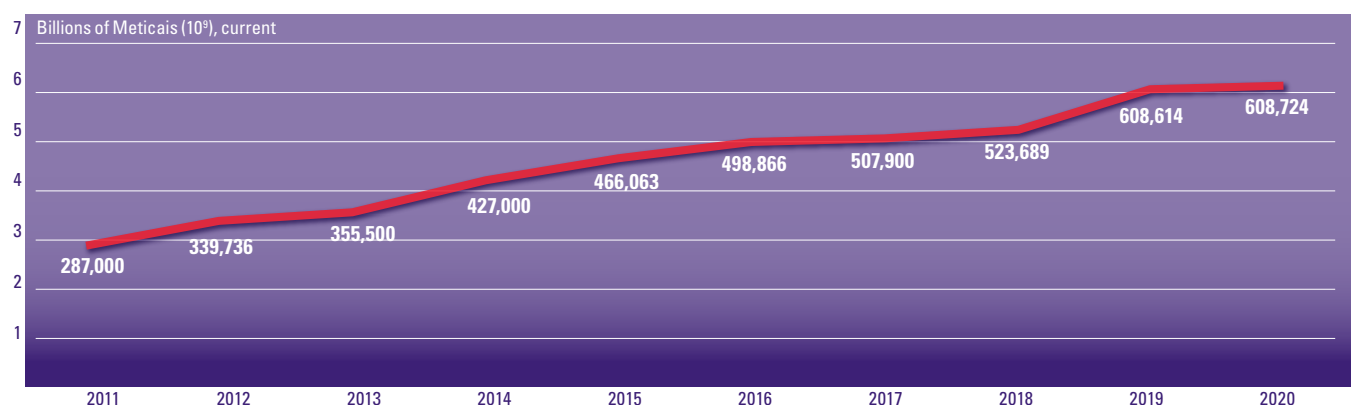


Source: Author's calculations from the CGE 2008-2019, LOE 2020.

INAS programs are targeting 608,724 beneficiary households in 2020 (see Figure #8).¹⁹ 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 monthly 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-persons 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).

It is important to note that as recommended by ENSSB, transfer value must be revised annually and adjusted to inflation, but this is not happening, and last adjustment took place in 2018. If properly revised, in 2020, a one-person household must be receiving 650 MT instead the 540 MT is actually receiving through PSSB. 650 MT per month is also equivalent to 2/3 of the poverty line adjusted to 2020, as recommended by ENSSB 2016-2024.

Figure 11: Beneficiary Households of INAS Social Protection Programs



Source: Author's compilation from the CGE 2008-2019, Balanco do PES 2017-2019, LOE 2020 and PES 2020.

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

17. The PAUS has substituted the SSAS program after approval of Decree 47/2018.

18. Publically available Budget documents do not specify whether these amounts correspond to net transfer values to beneficiaries or include INAS operational costs.

19. In 2019 Social Protection programs reached 90 percent of the planned beneficiaries for that year.

BOX 1 - Child Grant

As part of the Implementation of the National Basic Social Security Strategy, MGCAS with UNICEF support has started-up in 2018, the new Child Grant Program in 4 districts of Nampula Province (Nacala, Ilha de Mozambique, Mogincual and Lalaua). This component of the PSSB (Programa Subsídio Social Básico) is focused on children 0-2 years old living in risk of under nutrition in poor and vulnerable conditions.

The program comprises of two main components: the cash component, a monthly unconditional cash transfer of MT 540 to the primary caregiver (usually the mother) and the care component that 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 Child Grant has registered 15,345 beneficiary children and is currently making regular payments, delivering nutrition support communication materials to all beneficiaries and supporting 15% of most vulnerable households with case management in the selected districts.

An impact and process evaluation have been implemented to inform government and partners on future expansion at national level. A baseline collected in March 2019 is currently giving valuable information of socioeconomic conditions of beneficiaries and families. During final quarter of 2020 a process evaluation will be conducted a final impact follow up is planned for March 2021.

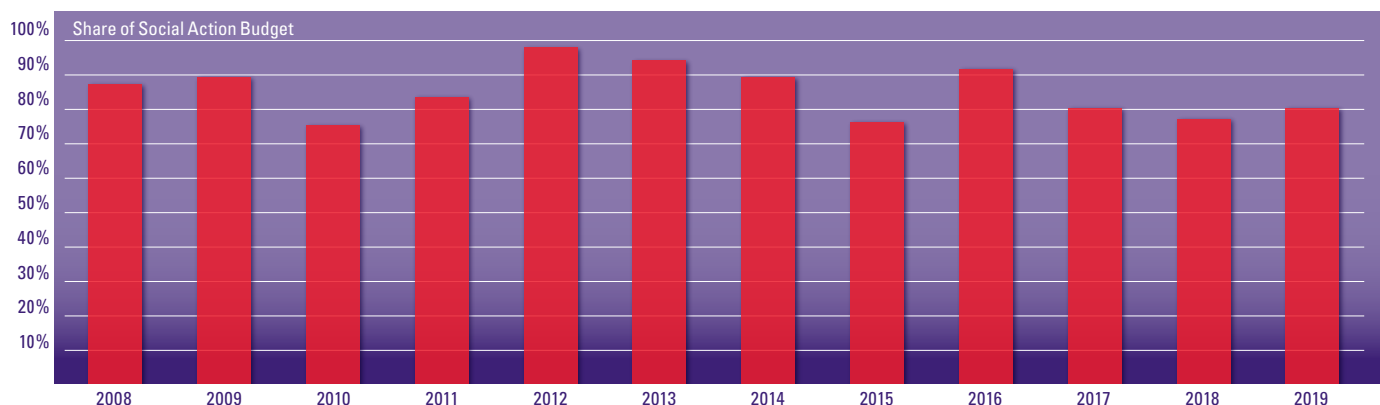
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How well has the Social Action sector executed its past budgets?

The Social Action Sector executed 79 percent of 2019 sector's budget initial allocation (see Figure #12). Although the execution rate of last year's budget is 2 percentage points above that of 2018, it is still behind the average 85 percent execution rate of the past twelve years. Among INAS programs, the PASP program has recorded low execution rates and contributed in dragging down the aggregate execution rate of Social Action budgets in recent years. (see Figure #12b). Nevertheless, it is important to note that low execution of the PASP program may partly be a result

of incomplete tracking of expenditure due to poor or delayed reporting from the World Bank group which funds the program, as well as complexities at the local level (i.e. identification of public works, poor management, etc). It is advisable that INAS analyses the causes behind PASP low execution rate in recent years, that might be affecting sector's ability to negotiate additional resources for the years to come with Ministry of Finance, and put in place mitigation measures to ensure an adequate execution level of funds allocated to PASP programme.

Figure 12: Social Action Budget execution



Source: Author's calculations from the CGE 2008-2019.

6

How has the Social Action sector performed relatively to strategic objectives?

Despite a remarkable increase in the number of beneficiaries of Social Protection programs between 2015 and 2019, Mozambique did not meet its PQG 2015-2019 target of covering 25 percent of people living below the poverty line. The 2015-2019 PQG strategic goal for Social Protection was to cover 25 percent of poor and vulnerable households by 2019 (PQG) from a baseline of 15 percent in 2015. The 2019 coverage was 22 percent, corresponding to the adjusted targeted coverage in 2019 PES.

By setting even higher target at 28% in PQG 2020-2024, the government needs to accelerate increase of budget allocation for social protection programs. However, this year's PES envisions no increase in the share of the population below the poverty line covered by Social Protection Programs. The current level of coverage of Social Protection programs as a share of poor and vulnerable individuals is 22 percent. The 2020 PES target is to keep the same level of coverage for this year. While this target appears to be realistic in the context of this year's macro-fiscal environment exacerbated

by COVID-19 pandemic, it may delay the achievement of the 28 percent coverage PQG target for 2024, and even more so the ENDE long-term strategic objective to reach 75 percent of vulnerable households below the poverty line by 2030. Additionally, 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.

Another concern relates to the fact that the pool of individuals living below the poverty line might in fact become larger as an effect of COVID-19. The World Bank estimated that COVID-19 pandemic could push 71 million people worldwide into extreme poverty, 27 million on of whom live in Sub-Saharan Africa. In the case of Mozambique, to achieve a true 22 percent coverage of Social Protection Programs this year, the new poor would need to be identified and a larger share of people would need to be covered. This, however, would entail costing additional resources than budgeted for pre-pandemic.

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7

Social Protection response plan to COVID-19 in Mozambique

In compliance with the Presidential Decree no. 11/2020 of 30 March, which declares the State of Emergency throughout the national territory for public calamity reasons, and with a view to implementing the measures to prevent and mitigate the social impacts of Covid-19, pursuant to Article 36 of Decree No 12/2020 of 2 April 2020, the Minister for Gender, Children and Social Action directed the National Institute for Social Action (INAS) and the Provincial Services for Social Affairs to implement the Sectoral Response Plan to Covid-19, at national level.

In terms of Social Protection, the above-mentioned Sectoral Response Plan to Covid-19 aims at contributing to mitigate the negative socio-economic impacts that the most vulnerable population faces in Mozambique as a result of the measures to control the spread of the pandemic. The development of the plan was led by MGCAS and INAS, in cooperation with the Economic Studies Department of the MEF, and was supported by the World Bank (WB), UNICEF, the International Labour Organisation (ILO), the World Food Programme (WFP), the United Kingdom Department for International Development (DFID) and the Swedish Embassy, which formed the "Technical Advisory Group" to provide

technical and financial support in a coordinated manner to the Government of Mozambique in the response to COVID-19 in the area of Social Protection.

The General Objective of the Sectoral Response Plan to Covid-19 in terms of Social Protection, budgeted at USD 237 million and requiring external support given the existing limited domestic resources, is *"To ensure social support and strengthen the resilience of poor and vulnerable households exposed to the effects of Covid-19"*, through adequate Basic Social Protection programmes managed by INAS, by providing cash transfers to:

A) 592,179 beneficiaries in the regular basic social protection programmes (PSSB, PASD, PASP), who will receive an additional payment of three months' subsidy;

B) 990,000 households whose vulnerability has been aggravated by Covid-19, with a geographical focus on urban, peri-urban and border areas, which will receive MT 1,500 per month for six months through the PASD-PE²⁰ programme "Covid-19".

Cash
Transfer to
1.582.179
beneficiaries

592,179

Beneficiaries currently in the regular basic (non-contributory) Social Protection programmes implemented by INAS

990,000

New beneficiaries to be included in the "Covid-19" PASD-Post Emergency programme "Covid-19" (PASD-PE)*

20. Programa Apoio Social Direto – Post Emergência (programa de transferências monetárias por tempo determinado previsto na ENSSB 2016-2024 como resposta a choques)



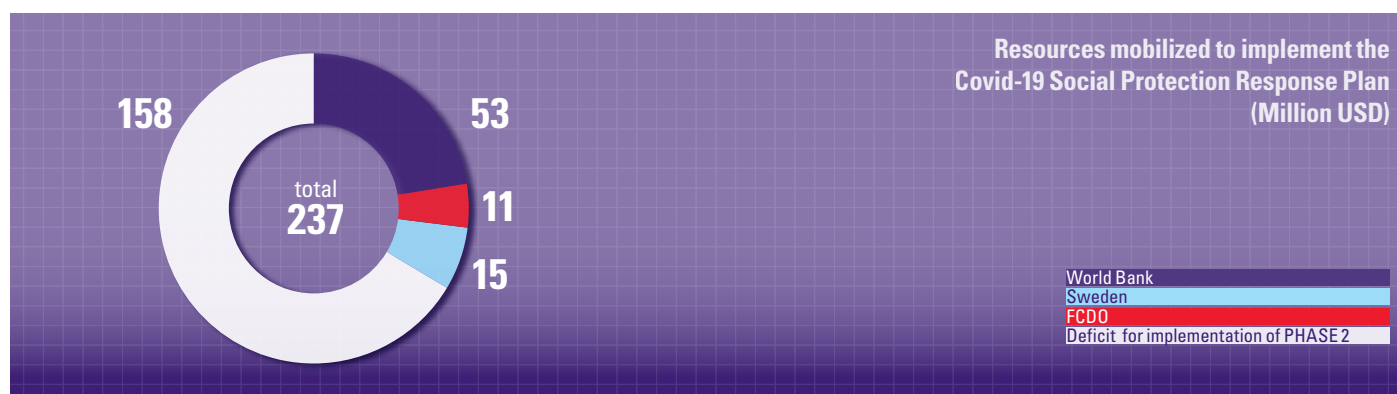
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The funds made available until July 2020 to implement the Covid-19 Social Protection Response Plan in Mozambique amount to US\$79 million, provided by the World Bank, DFID and Sweden, which ensures the full implementation of **PHASE 1** of the Response Plan (282,862 new beneficiaries through the PASD-PE "Covid-19", plus 592,179 beneficiaries currently in the regular basic social protection programmes). Currently there is **a deficit of USD 158 million that would enable the full implementation of PHASE 2** of the Covid-19 Social Protection Response Plan in Mozambique (686,255 households to be integrated in the PASD-PE "Covid-19"), which could happen as early as 2021.

Some Cooperation Partners, such as the African Development Bank (AfDB), the European Union, IMF or Canada are currently

(August 2020) examining the possibility of contributing financially to support the implementation of the COVID-19 Social Protection Response Plan, which would help to reduce the existing financial gap for PHASE 2.

The ambitious Social Protection Response Plan to COVID-19 in Mozambique, if implemented in its entirety (PHASE 1 - already with confirmed funding - and PHASE 2 - funding still to be raised), would imply an **unprecedented extension of the social protection system coverage, both at national level and in the sub-Saharan Africa region**, adding, even if temporarily, almost 1 million new vulnerable beneficiaries not yet included in the non-contributory system managed by INAS.





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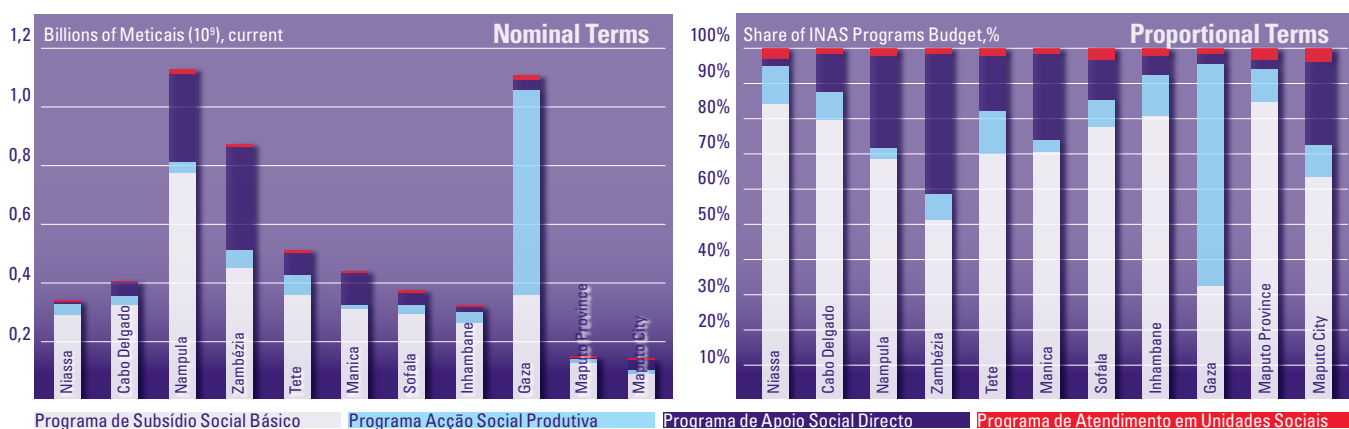
8

How equitable is the Social Action budget?

As the Social Protection Programs target poor and vulnerable populations²¹, larger sector's allocations should be directed to those provinces with a larger percentage of poor and vulnerable households. While the Social Protection programs allocations to most disadvantaged provinces have increased over time in nominal terms, per-capita allocations are not equitable yet.

In fact, the provinces with the high poverty prevalence continue receive the largest nominal allocations from INAS Social Protection Programs (see Figure #13A & B). Nampula and Zambézia were allocated MT 1.125 billion and MT 0.87 b respectively²². Maputo City and Maputo Province were allocated the lowest budget for INAS programs, MT 138 million and MT 145 million.

Figure 13 A & B: Allocations to INAS Social Protection Programs



Source: Author's calculations from the CGE 2008-2019; LOE 2020.

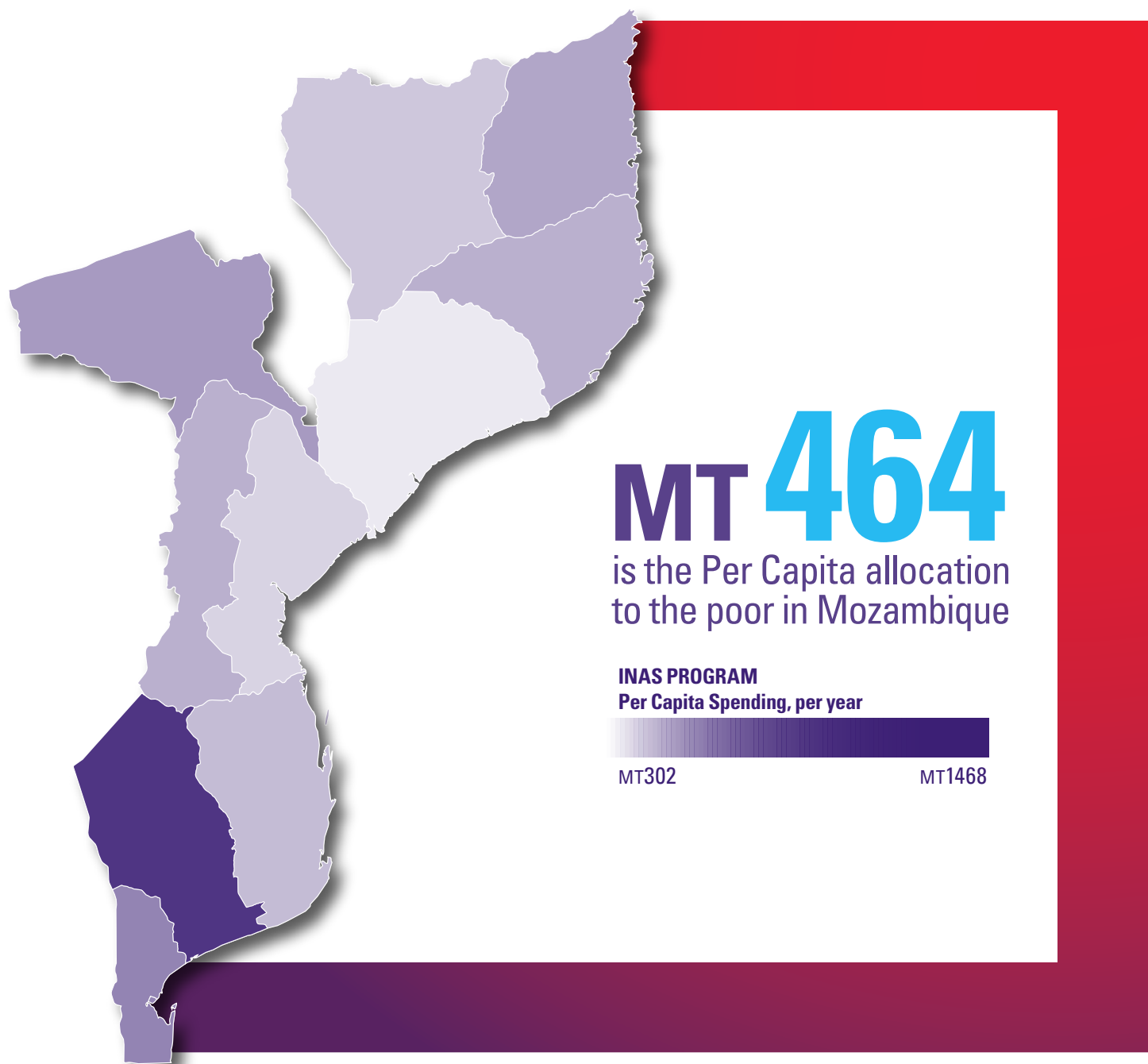
21. Definition of poor and vulnerable population is based on the nationally-defined poverty line.

22. Gaza Province received the second largest INAS program allocation. However, this include the PASD-emergency program worth MT 0.7 b. When this is excluded from the total, Zambezia is the second most funded province for INAS programs in nominal terms.

Nevertheless, the allocations to Zambézia, Niassa and Nampula, where poverty rate is the highest in the country, are still not enough to meet high needs of their vulnerable populations. In fact, on a per poor person basis (i.e. per capita allocation among the poor population), these three provinces receive the lowest allocation. (see Figure #14). While the national average allocation per poor person is

worth approximately MT 464 a year, in Niassa the pro-poor allocation is MT 327, in Nampula it is 375 MT while that in Maputo City is MT 959 per year. 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 day²³.

Figure 14: Geographical equity of Social Action spending



23. Author's calculations based on 2020 LOE and MEF 2017 Poverty Incidence Index from the Fourth National Poverty Assessment.

| Glossary of Budget Terms

Initial Allocation (Dotação Inicial)	The first allocation of funds, approved by Parliament
Updated Allocation (Dotação Actualizada)	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

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

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