



Mozambique

Population ⁱ	22,382,533
Age structure (%)	
• 0-14 years	44.1
• 15-64 years	52.7
• 65 years and over	3.2
Infant mortality rate (per 1,000 live births) both sexes ⁱⁱ	93
Life expectancy at birth (years) female	48.7
Life expectancy at birth (years) male	47.1
Maternal mortality ratio (per 100,000 live births) ⁱⁱⁱ	520
GDP per capita	
• Current USD ^{iv}	473
• PPP (current international \$) ^v	981
• Constant local currency	7,223
Human development index (HDI) rank ^{vi}	165
HDI poverty indicators – Human poverty index rank	127

Setting Up a Social Protection Floor

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14

Mozambique

Summary

Mozambique recently approved the National Strategy for Basic Social Security (April 2010) and the Regulation for Basic Social Security (December 2009) that set the stage for a comprehensive model that can be seen as another step in the direction of a national social protection floor (SPF).

Earlier in 2007, the Social Protection Law (4/2007) took the first step, organizing the social protection system at three levels: basic social security, obligatory social security and complementary social security.

Therefore, the legal framework creates an inclusive juridical foundation, establishing a mix of funding mechanisms (both contributory and non-contributory) and offering a set of potential benefits and mechanisms aligned with the SPF definition. The Regulation is a step forward, protecting key rights, establishing universalization as a goal, but also noting that the expansion of social protection will be gradual in accordance with government capacity.

The Regulation for Basic Social Security divides basic social security into four areas of intervention that are very relevant to the social protection floor:

- *direct social action*. Managed by the Ministry of Women and Social Action, it comprises social transfers used to address the needs of the most vulnerable (older people, people with disabilities, those who are chronically ill, and households with orphans and vulnerable children) and to respond to situations of transitory vulnerability;
- *health social action*. Managed by the Ministry of Health, it assures the universal access of the most vulnerable populations to primary health care;
- *education social action*. Managed by the Ministry of Education, it promotes the participation of the most vulnerable populations in the education system; and
- *productive social action*. Jointly managed by different sectors and including Social Inclusion through Work programmes, it targets female heads of households, people with disabilities and other people living in absolute poverty.

The approval of the Regulation for Basic Social Security constitutes a very significant step towards the implementation of the social protection floor in Mozambique, but it also raises a major challenge considering the institutional capacity of the national organizations involved.

Important items for discussion are efficiency of the programmes, definition of priorities, funding of the Strategy and fiscal space.

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INTRODUCTION

Mozambique has recently approved a strategy (the National Strategy for Basic Social Security) and a regulation (Decree nr. 85/2009) that establishes the Regulation for the Basic Social Security Subsystem. The latter, together with Law 4/2007 (the Social Protection Law) and the Regulation for Obligatory Social Security, creates the basis for a comprehensive model that can be seen as a step in the direction of a social protection floor.

This legal framework creates an inclusive juridical foundation, establishing a mix of funding mechanisms (both contributory and non-contributory) and offering a set of potential benefits and mechanisms aligned with the definition of a social protection floor. The Regulation for the Basic Social Security Subsystem is a step forward, protecting key rights, establishing universalization as a goal, but also noting that the expansion of social protection will be gradual in accordance with government capacity.

Indeed, as a result of the approval of the new Regulation, Mozambique now has a very comprehensive set of legal instruments. On one hand, the Social

Protection Law establishes three pillars of protection: non-contributory basic social security, contributory or obligatory social security, and complementary private insurance. On the other hand, the Regulation for the Basic Social Security Subsystem defines four areas of intervention: direct social action (monetary and in-kind transfers), health social action, education social action and productive social action. In addition, the Regulation for Obligatory Social Security foresees the extension of the social insurance mechanisms to the self-employed.

The three pillars of protection provide a diversified range of solutions for the extension of social security coverage and for the development of a social protection floor. Nevertheless, it is important to recognize that while being an important step, the existence of a good legal framework is not a sufficient condition for the successful implementation of a social protection floor.

This case study will focus on the most recent advances in the area of basic social security that target the most vulnerable populations, establishing "a set of essential social rights and transfers" as specified in the definition of the Social Protection Floor Initiative.

Regarding the policy level, the National Strategy for Basic Social Security (*Estratégia Nacional de Segurança Social Básica*, ENSSB) defines three objectives: (a) extending the coverage and impact of the programmes, (b) increasing the efficiency of the system, and (c) assuring the coordination of different programmes and services. The strategy definition was steered by the Ministry of Women and Social Action (MMAS), which will be responsible for implementing the strategy. Implementation will nonetheless take place in strong coordination with other ministries as well as national and international partners.

Different mechanisms for coordination are in place. The Regulation creates the National Council for Basic Social Security, which will be led by the Ministry of Women and Social Action and involves the participation of ministers from other sectors that will be associated with the implementation of the strategy. At the policy level, the Poverty Reduction Strategy Paper (PRSP) Working Group on Social Action played a significant consultative role in defining the strategy. It also constitutes the main forum for policy discussion between the Government and its national and international cooperation partners. The Government and partners see the Working Group as an excellent space for the definition of common strategies promoting the agenda on the expansion of basic social protection. A second working group that supports the Food Subsidy Programme (*Programa Subsídio de*

Alimentos, PSA) focuses on developments at the operational level.

In the context of the social protection floor, it is important to highlight that Mozambique has one of Africa's oldest non-contributory schemes in the Food Subsidy Programme (PSA). The PSA is a government programme that, since approximately 20 years ago, has been implemented by the National Institute of Social Action on a national scale, making it the precedent for the current expansion of basic social security benefits. More details about this programme will be provided in a subsequent section.

Although this progress represents important achievements for the sector, widespread coverage remains a big challenge. The manner in which the sector will face the challenges brought on by the strategy in the coming years will be very important to the future of social protection in the country. Areas such as the efficiency of programmes, the definition of priorities, and discussions concerning the funding of the strategy and fiscal space will certainly be among the most important aspects of the work that the Ministry of Women and Social Action will undertake in the near future.

CONTEXT

GENERAL INFORMATION

Mozambique is located in southern Africa and occupies a territory of about 800,000 km². It has a coastline of 2,500 km on the Indian Ocean and is bordered

by six countries. With a population estimated at over 22 million, Mozambique is unanimously seen as a country with potential but also with several challenges. At the time when the civil war ended, in 1992, Mozambique was one of the poorest countries in the world, with destroyed infrastructure, a fragile economy, lack of qualified human resources and great fragility. In the decades that followed the first free elections in 1994, the country came to be highlighted as an example of good economic performance. It achieved substantial improvements in some indicators such as the human development index (from 0.195 in 1990, to 0.224 in 2000, to 0.284 in 2010) and a significant reduction of absolute poverty (69 per cent in 1997 to 54 per cent in 2003). The recent National Poverty Assessment report shows that no improvement was achieved in eradicating poverty between 2002 and 2008. The rate of absolute poverty remains high at 54.7 per cent, compared to 54.1 per cent in 2002; social inequalities have increased; and rural and informal work still has an extremely important role in the economy. As a consequence, a large proportion of the population is still excluded from social protection systems.

ECONOMIC GROWTH

Economic growth in Mozambique has lasted for over 15 years. Between 2001 and 2006, the gross domestic product (GDP) grew an average of 8.7 per cent per year.^{vii} Even though the country experienced a slowdown in growth in 2008,

the projections of the Government (Action Plan for the Reduction of Absolute Poverty (Plano de Acção para a Redução da Pobreza Absoluta II, the country's Poverty Reduction Strategy Paper) indicate that growth will remain constant in the coming years. This growth has been based on private investment in physical capital and high levels of public spending. A significant portion of this is the result of mega-projects such as the Mozal plant for the production of aluminium. Another important portion of these investments was related to the process of recovery and rehabilitation of infrastructure in the post-war period.

Presently, a big expectation for economic growth lies in the development of the extractive industry, with several major investments in the pipeline and some that have already started being carried out. As a consequence, one of the most important debates in government and in Mozambican society is on how the country should deal with opportunities. A particularly interesting discussion centres on the way in which these investments will be taxed. Some believe that the contribution of the mega-projects to the majority of the population has been limited. The way in which the Government has dealt with extraction contracts and has even rewarded some companies with fiscal exemptions is at the centre of the discussion. Finding the best balance between promoting economic growth and creating revenues from this growth is one of the challenges.

POVERTY AND VULNERABILITY

Data from the last national poverty assessment report (by the Ministry of Planning and Development, 2010) indicates that 54.7 per cent of the population live below the poverty line. After an impressive decrease of 15.3 per cent between 1997 and 2002 (from 69.4 per cent to 54.1 per cent), the most recent data show stagnation in poverty reduction at least in terms of consumption.

The Multiple Indicator Cluster Survey (MICS) conducted in 2008 also shows some interesting trends. For instance, child mortality had dropped by 15 points over the five preceding years, from 153 to 138 deaths per 1,000 live births (a 9.8 per cent reduction). Regarding nutrition, the study indicates that 44 per cent of children suffered from chronic malnutrition, compared to 48 per cent in 2003. Nonetheless, 18 per cent of children under five were still underweight for their age, according to the Survey.

This reduction was accompanied by an improvement in some indicators such as the HDI: from 0.224 in 2000 to 0.284 in 2010.¹ During that same period, the gross rate of schooling in the primary, secondary and tertiary sectors combined went from 37.3 per cent to 54.8 per cent. Finally, there was also a modest average gain of 0.8 per cent in longevity, measured as life expectancy at birth.^{viii}

Despite the recognition that important improvements have taken place, the distribution of these effects has not been felt uniformly throughout the country and among all social groups. Persistent inequalities between farmers and city dwellers, women and men, and the poorest and the richest caused by rapid growth might be contributing to reduce the positive impact of economic growth on poverty reduction.^{ix} Inequalities also exist between regions. For example, the City of Maputo has GDP per capita values that are, on average, three times higher than the national average.^x However, there are also inequalities in access to services.

The main risks affecting the poorest households in urban and rural areas are hunger, illness or death of a family member, unemployment and harvest loss.^{xi} Although poverty has shown higher reduction rates in rural areas, the poorest households continue to be found disproportionately in agriculture, being more vulnerable to climatic shocks, such as seasonal droughts and floods, and to seasonal variations in income.^{xii} More recent data from the 2006 Survey on Poverty and Vulnerability indicate continued improvements in access to public services, particularly in health and education. Poverty also has a strong gender component because, in general, women (especially in rural areas) have less access to opportunities for income-generation.

¹ Based on a new calculation formula available at <http://hdrstats.undp.org/en/countries/profiles/MOZ.html>.

Another major threat that Mozambique is facing is HIV and AIDS. In 2010, the national HIV prevalence rate was 11.5 per cent (National Statistics Institute/Ministry of Health). The higher rates of infection are associated with increased labour mobility, urbanization and the phenomenon of feminization of the epidemic. If these factors are not addressed and treatment strategies are not expanded, there will be a growing number of orphans and vulnerable children as well as a huge loss of skilled people, leading to a reduction in the workforce.^{xiii}

THE SOCIAL PROTECTION LEGAL AND INSTITUTIONAL FRAMEWORK

One of the advantages that Mozambique has in the development of a national social protection floor is its broad and comprehensive legal framework. The first component of this framework is Law 4/2007 (the Social Protection Law), which establishes the foundations for the organization of the social protection system. The Law defines the main components of the social protection system and allocates responsibility for the delivery of social protection at three levels that are in alignment with the three steps of the social protection floor.² It also creates the basis for a different set of funding mechanisms (tax- and insurance-based) in line with the funding mix foreseen by the

Social Protection Floor Initiative.

Moreover, Law 4/2007 establishes a set of principles well aligned with the social protection floor: universality and solidarity. According to the Law, the Labour Consultative Committee (a tripartite body of representatives from government, workers, employers and civil society) is charged with the global coordination of the system.

The first level of the social protection system is basic social security. It aims to prevent situations of need and to promote the social integration of the most vulnerable groups. This level, whose distributive characteristics are based on the concept of national solidarity, is funded mostly by the State budget. The beneficiaries are the poorest households and also the elderly, people with disabilities, those who are chronically ill, and households with orphans and vulnerable children. The ministry in charge of social affairs (the current Ministry of Women and Social Action) is responsible for the coordination of this first level.

The second level, obligatory social security, incorporates the benefits associated with social insurance mechanisms or contributory mechanisms. The institution in charge of this level is the National Institute of Social Security (INSS), which falls under the tutelage of the Ministry of Labour. The INSS was created 20 years ago and has been covering wage workers

²The metaphor that emerges for the extension of social security coverage is the image of a social security staircase. The floor level comprises a set of basic guarantees for all. For people with tax-paying or contributory capacity, a second level of benefits as a right (defined and protected by law with respect to the minimum levels) can be introduced, and, finally, for those with the need or wish for high levels of protection, a "top floor" of voluntary private insurance arrangements can be organized.

in the private sector since then. The second level also covers a subsystem for civil servants, which is under the responsibility of the Ministry of Finance. The second level currently includes: old-age pensions, cash sickness and maternity benefits, hospitalization, cash death grants and allowances for burial expenses.

Social insurance coverage is restricted to salaried workers and its coverage is limited when compared to the number of economically active individuals. In 2008, only 234,311 contributed out of 730,934 workers registered in the system, who themselves are a small fraction of an estimated total of 9.7 million economically active individuals. Registered workers constitute 7.5 per cent of the economically active work force and contributing workers are merely 2.4 per cent of the economically active, less than one third of registered workers. Only 26,437 retirees received pension benefits.^{xiv}

At the juridical level, Law 4/2007 promotes further progress towards the extension of social security for workers in the informal economy. Both the Law and the Regulation approved for the compulsory social security level aim to extend its coverage to self-employed workers, who constitute the majority of the working-age population. Thus, both create a legal window of opportunity for the coverage of workers in the informal economy. Nevertheless, this extension still constitutes a major and complex challenge, implying a significant restructuring of National Social Security Institute (INSS) processes and mechanisms, which were designed to deal with wage workers

alone. Currently, the National Social Security Institute is engaged in an effort to move forward with the creation of conditions for allowing this category of worker to be part of the system.

The third level is complementary social security, which was created to cover the private mechanisms that complement the benefits at the compulsory level. This level, which falls under the responsibility of the National Insurance Authority, was designed mainly to include the private insurance of those who want to have coverage that is additional to that offered by the INSS.

With these three levels, the system allows for a diversified range of solutions for the extension of social security coverage and for the development of a social protection floor. Nevertheless, it is important to recognize that while it is an important step, a good legal framework is not a sufficient condition for the successful implementation of the social protection floor.

THE BASIC SOCIAL SECURITY REGULATION

Under the recently approved Basic Social Security Regulation (Decree nr. 85/2009), the system defined further details for the implementation of Law 4/2007 in matters associated with the basic social security subsystem. Consequently, this Regulation establishes the social protection rights of the most vulnerable groups, defines in general terms the types of benefits to comply

with these rights, and defines the implementation of the benefits as something to be done gradually in accordance with government resources.

The Basic Social Security Regulation creates four different areas of intervention, which are very similar to the guaranteed benefits framework of the social protection floor:

- **direct social action.** Managed by the Ministry of Women and Social Action, it comprises social transfers used to address the needs of the most vulnerable (older people, people with disabilities, those who are chronically ill, and households with orphans and vulnerable children) and to respond to situations of transitory vulnerability;
- **health social action.** Managed by the Ministry of Health, it assures the universal access of the most vulnerable populations to primary health care;
- **education social action.** This area, managed by the Ministry of Education, promotes the participation of the most vulnerable populations in the education system; and
- **productive social action.** Jointly managed by different sectors and including Social Inclusion through Work programmes, it targets female heads of households, people with disabilities and other people living in absolute poverty.

The Regulation also mandates the creation of a national council for basic social security. This will be an intra-ministerial group where participation might also be extended to partners from civil society.

THE NATIONAL STRATEGY FOR BASIC SOCIAL SECURITY

In the follow-up to the approval of the Basic Social Security Regulation, the need to unify and orient the efforts of various actors in the area of basic social security was identified. As a response, the Council of Ministers approved the National Strategy for Basic Social Security (ENBSS) for the period between 2010 and 2014. One of the main objectives of the Strategy is to promote an integrated approach to social protection in the area of basic social security. At the same time, the Strategy is intended to be a tool for reinforcing the linkages between basic social security and the socio-economic development efforts of the country.

The process of developing the Strategy was highly participatory, involving many consultations with partners (including international donors, agencies and national civil society organizations). The Action Plan for the Reduction of Absolute Poverty (PARPA) Working Group on Social Protection played an important role in extending the dialogue to other government partners and to civil society organizations and international partners.

In this context, the Strategy states that “Basic social security contributes to a more inclusive society where development benefits the poorest and most vulnerable populations, participating in this way in poverty reduction efforts”. As such, according to the Strategy, basic social security is viewed as one of the measures needed to enhance the integration of excluded members of society and it is intended to serve as a bridge between the excluded groups and the benefits of economic performance that Mozambique has been witnessing.

This vision presupposes acknowledging that economic growth has not spread equally to different sectors of the society and that some groups need particular attention, as can be shown by the most recent poverty evaluation.

Efforts at poverty reduction, which is central in the Government’s policy goals, may be at risk and a share of the population may become trapped in chronic poverty. Through the National Strategy for Basic Social Security, which shows the complementarities between basic social security and economic development, social protection is expected to be positioned within the major national development policies. The Strategy also recognizes that this is not an easy task and that efforts need to be made in the area of basic social security. In this context, the Strategy contains the following definition of its mission: “to unify and orient the efforts of the government and non-government actors in the processes of planning and implementing actions in favour of the most vulnerable individuals,

to make Social Security contribute in an efficient and effective way to the country’s poverty reduction efforts”. Once again, the important message is the contribution to the main national goals but, in this case, the focus is on the questions of coordination, impact and efficiency. These issues have been constantly pointed to as areas where significant progress needs to be achieved and their inclusion in the Strategy mission statement reflects this importance.

The Strategy defines a set of very important principles: universality, progressivity, equity, inclusion, multisectorality, efficiency, solidarity, subsidiarity, participation and accountability. These principles should guide the implementation of the different key actions in the various areas during the Strategy implementation period.

In short, taking into account its vision, mission and principles, it can be said that the National Strategy for Basic Social Security has three main objectives for the period 2010-2014. These are to:

- extend the coverage and the impact of interventions;
- increase the efficiency of the system; and
- assure the coordination of different programmes and services.

Following what the Regulation establishes, the Strategy moves a step further in determining the areas of intervention.

The area of direct social action is divided into three components:

- **regular, unconditional social cash transfers** (where transfers to households with elderly or children may be included). Taking the Food Subsidy Programme as its base, the Strategy identifies the need to develop an analysis of the best ways to proceed with the extension of this kind of benefit, taking into account patterns of vulnerability and institutional and financial viability as well as the complementarities with other mechanisms;
- **social transfers for a fixed period**, which include support in case of transitory vulnerability. The support can be either in cash or in kind. Two types of interventions are foreseen: one in which support is given once to help the beneficiary face a one-time situation, and the second type in which support is offered to help to deal with mid-term temporary situations;
- **social services.**³ The Strategy defines the need to map out social services (both governmental and non-governmental) so as to define regulations and guidelines for their supervision.

Direct social action also includes a reference to the right of beneficiaries to receive support in accessing the Civil Registry Services.

The Strategy foresees the need to define an operational plan for direct

social action in order to have a detailed plan of how to execute the key actions defined in the Strategy. Currently, the Ministry of Women and Social Action is working on the definition of this kind of benefit, developing a detailed costing exercise, collecting information from evaluation processes, and organizing debates within the Ministry and with partners. The goal is to already include some of the benefits in the Government Plan and Budget for 2011 and, if needed, to include further analysis under the Ministry plan for 2011.

Health social action comprises the actions aiming to improve the health of the most vulnerable populations, with a specific focus on the promotion of access to basic health care. This area is managed by the Ministry of Health.

Education social action consists of interventions directed at promoting the participation of children from the most vulnerable households in the education system. Managed by the Ministry of Education, it can include, for instance, school feeding programmes for children in primary school, direct aid for primary schools or support in the acquisition of primary-school materials for students.

Productive social action is associated with activities developed to promote the socio-economic inclusion of the most vulnerable individuals who are physically able to work. The Strategy foresees the creation of a national productive social-

³By "social services", the Strategy means the services provided to specific groups of the population by different organizations. This includes social units accommodating vulnerable people living in poverty who were abandoned or marginalized (i.e., units such as nurseries, old-age support centres and transit centres for the care of people with disabilities).

action programme that should fall under the responsibility of various ministries (Ministry of Women and Social Action, Ministry of Agriculture, Ministry of Public Works, Ministry of State Administration, Ministry of Labour). This programme should be designed as part of the answer to chronic food insecurity, which has been reinforced in recent years by structural risks and shocks as well as the impact of environmental changes. Implementation should take place at the district level, a move associated with broader efforts at decentralization. In this programme, a social transfer should be associated with public works in favour of the community through tertiary-road maintenance, irrigation mechanisms, water management, etc. It is also foreseen in the Strategy that the transfers might have a seasonal nature, preferably coordinated with the hunger season, and that they should be designed to target the most vulnerable.

One of the main objectives of the Strategy is to associate the social security policy with other major policy efforts in the country. Therefore, the Strategy takes into account, as mentioned earlier, the decentralization process and tries to establish district administrations as the implementing actors of some of the programmes. It also attempts to associate social security with the national efforts to reduce food insecurity. Moreover, an effort is made to show the link between basic social security programmes and risk mitigation (namely, in the scope of natural disasters). Owing to the high occurrence of natural disasters, the strategies for coping

and mitigating their impact are placed high on the national policy agenda.

Another area in which the Strategy exhibits progressive ideas is funding. It contains suggestions for some possible sources of funding for basic social security, namely, the creation of a social action fund and a sectoral working group with donors. The development of a study for analysing the different options is on the horizon.

THE FOOD SUBSIDY PROGRAMME

As mentioned earlier, one of the basic models for the extension of coverage to the most vulnerable populations in Mozambique can be found in one of the existing social transfers, the Food Subsidy Programme (Programa Subsídio de Alimentos, PSA).

The Food Subsidy Programme is the main programme under basic social security in terms of coverage and longevity. It constitutes one of the rare examples in Africa of a State-led, non-contributory social security programme with continuous funding over a period of almost 20 years. Established in 1990 as a response to the negative effects of the structural adjustment policies, the Programme evolved into its current institutional form in 1997. It is also the only basic social security programme in Mozambique with a legal status (Decree 19/93).

The Food Subsidy Programme can be seen as a welfare benefit with some of the

characteristics of old-age pensions and of social benefits for the disabled and the chronically ill. Originally, it was designed to meet basic food needs in the context of structural adjustment. Currently, however, many see the Programme as also having an impact on enhancing human capital and economic growth.

The Programme targets the extremely poor, that is, individuals who are unable to work and who therefore cannot meet the basic needs of their households:

- the elderly (age 55 years and over for women and 60 years and over for men, who are recognized as being permanently unable to work and who live alone or are heads of extremely poor households);
- people with disabilities (individuals of both sexes, 18 years of age and above, who are recognized as being permanently unable to work and who live alone or are heads of extremely poor households); and
- the chronically sick (individuals of both sexes, age 18 and above, who suffer from a chronic disease recognized by the medical services).

The Food Subsidy Programme also used to include malnourished pregnant women but its most recent procedures have been geared towards leading these beneficiaries to other National Institute of Social Action (INAS) programmes. The most recent data show that the elderly constitute the Programme's majority group, with 93.5 per cent of the beneficiaries. They are followed by people with disabilities (5.5 per cent) and by chroni-

cally ill patients (1 per cent). Women account for 63 per cent of the beneficiaries while 37 per cent are men.

The amount given to beneficiaries depends on household size (number of dependents per beneficiary). Monthly, the Food Subsidy Programme amount ranges from Mtn100 (about US\$2.85) for a household with a single person to a maximum of Mtn300 (about US\$8.50) for a household with five or more members. The Ministry of Women and Social Action is working with the Ministry of Finance on creating a mechanism that will automatically index the value of the Food Subsidy Programme to the minimum wage. This will reduce the impact of inflation on the beneficiaries' purchasing power, which has been considerable in recent years. Nevertheless, even if the amount is recognized as being inferior to household needs, there are some indicators that show that this small amount can have an impact on the well-being of beneficiaries, constituting a monetary complement to other forms of income.

The funding for the Food Subsidy Programme comes mainly from the Government budget. Since 2008, the national funds have been complemented by those of cooperation partners: the Department for International Development (DFID) and the Embassy of the Kingdom of the Netherlands.

The Food Subsidy Programme is implemented by the National Institute of Social Action (INAS). INAS is the executing body for policies defined by the Ministry of Women and Social Action. At

the community level, it works through local agents. These agents, known as "permanents" ("Permanentes"), are chosen by the community and work on a volunteer basis, receiving only an incentive monthly pay of Mtn300 (US\$8.50). Their role is to promote the linkage between INAS delegations and the community, to participate in the identification of vulnerable people as potential beneficiaries and to organize the payment posts on paying days.

INAS is also receiving technical and institutional support from the International Labour Organization (ILO) and the United Nations Children's Fund (UNICEF). Non-governmental organizations (NGOs) such as HelpAge International and Save the Children are also piloting new delivery modalities, contributing in this way to the discussion on how to increase the efficiency of the Programme.

The Food Subsidy Programme is currently implemented in all districts of the country through 30 delegations installed in all 11 provinces. Despite a great effort to extend it to rural areas, it has not achieved the full coverage of potential beneficiaries owing to the geographical spread of the population and to budget limitations imposed by the Ministry of Finance.

The Food Subsidy Programme can be used strategically as an important instrument in the fight against poverty and for mitigating the impact of crises (HIV and AIDS, financial, food and natural). Since an important share of the beneficiaries (the elderly) care for orphans and vulner-

able children, the Programme has the potential to play an important role in mitigating the impact of HIV and AIDS. In the hypothetical scenario of a universal social pension, it would have the potential to benefit more than 1.5 million children.

INAS is currently undertaking, with United Nations support, an evaluation in order to assess the real impact of the Programme. The results should contribute to creating growing awareness at the country level of the potential of social transfers as an effective poverty-reduction tool and of their capacity to enable local economic development through the impetus that they give to demand, thereby increasing the entry of cash into small community economies.

According to the most recent census, the number of households with elderly people is around 900,000. The elderly constitute one of the groups more prone to poverty. The official poverty headcount is around 54 per cent. Using a very rough estimate, it can be said that the Food Subsidy Programme is currently covering less than 35 per cent of the estimated elderly poor. Nevertheless, recent years have shown a positive trend in its coverage levels, increasing from 96,572 in 2006 to 217,471 in 2010 (an increase of more than 125 per cent in four years) and it is expected to cover around 254,000 in 2011. The Strategy set the number of people to be targeted by the Programme at 523,000 in 2014, which would represent 1.31 per cent of the government resources envelope. These figures still need to be discussed with the

Ministry of Finance and some extra calculations are now being done using the most recent demographic data.

Simultaneously, recent guidelines orient the targeting towards elderly living with children in order to mitigate the impact of HIV and AIDS. The benefit amount was also increased, particularly the portion that the beneficiary receives for having an extra dependant. Nevertheless, some information indicates that, at the field level, the Food Subsidy Programme has not been able to reach all household members. It is also possible that household selection has not included households with more children. Work is currently being pursued with the support of United Nations agencies to estimate the cost of covering potentially excluded children.

THE DIALOGUE PROCESS

One aspect that has been playing and that can play an even more important role in the process of extending social protection coverage in Mozambique is the increased dialogue between government and partners (donors, United Nations agencies, international NGOs and national civil society organizations). The way in which the different parties have been collaborating can be seen as a potential contributing factor in the development of a social protection floor in Mozambique. For instance, the creation of the National Council for Basic Social Security, in the scope of the recently approved Regulation, establishes a forum for high-level coordination. The plan is

to have ministers from different areas that are somehow related to the social protection sector participate and collaborate through the Council.

At a different level, the PARPA Working Group on Social Action (created as a result of the Poverty Reduction Strategy Paper) has been playing an important role by providing a forum for technical discussions. The Working Group was created under the framework of the Memorandum of Understanding (MoU) between the Working Group's programmatic donors (called the G19) and the Government. The Working Group is coordinated by the Ministry of Women and Social Action and operates with the participation of civil society members and international partners (both donors and United Nations agencies).

In the scope of the above-mentioned MoU, the Working Group is responsible, among other activities, for the development of a joint evaluation of the performance of the social protection sector. This evaluation includes an appreciation of the execution rates, compares the coverage targets with the objectives, and highlights the main progress and challenges. The production of the document is a joint process between government and partners, creating an opportunity for discussion and contributing to the creation of a shared vision among the sector's partners. It is also an opportunity for reinforcing the institutional capacity of the partners involved. The document will be shared with other sectors, thereby creating an opportunity for advocacy on a broader scale.

Other activities that are relevant are the regular meetings organized between the Ministry of Finance and the sectoral working groups. In these meetings, each sector (represented by government and partners) has the chance to present its analysis of the budget execution and of the budget for the coming year. Given that different stakeholders attend these meetings, they are an important forum for advocating for the expansion of the budget allocated to the social protection sector, as well as other technical aspects associated with the budget of the sector.

Independently of the meetings mentioned earlier, the Working Group on Social Action has also been used as a privileged platform for technical discussions. This was the case with the definition of the National Strategy on Basic Social Security, where many consultation meetings took place using the Working Group. The partners also use this platform as a means to promote coordination among themselves. To this end, a subgroup of partners, which meets every two months, was created. These meetings serve to update all the partners about progress in the social protection sector and to share information on the activities that each partner is carrying out in order to create synergies and avoid duplication.

One additional outcome from the efforts of this Working Group has been the reinforcement of the mutual trust between government and partners. The need to produce joint reports creates increased mutual knowledge and therefore an opportunity to align positions.

A second group has been formed on the basis of the MoU to support the Food Subsidy Programme. The National Institute of Social Action, the Ministry of Women and Social Action, UNICEF, ILO, DFID and the Embassy of the Kingdom of the Netherlands constitute this group. The group meets once every two months and deals with the more operational aspects of the Programme, such as monitoring and evaluation of implementation, analysis and discussion of financial and fiduciary issues, and discussions on processes associated with institutional change. Discussions on the information system, the support to the financial and management system, and the revision of the payment methodologies are within the main themes of discussion. Owing to the fact that the donors have become direct funders of the Food Subsidy Programme, INAS presents an annual report and plan. These documents are discussed and the continuity of annual funding depends on their approval.

In 2008, a civil society organization for social protection was created. It acts as an interlocutor for the Government, helps to organize civil society interventions, and can also play an important advocacy role.

CURRENT CHALLENGES AND OPPORTUNITIES

The social protection sector has gone through important developments and has had considerable achievements, as can be seen throughout this case study.

Nevertheless, there is still a great deal of work to do, given the gap between the number of people currently covered and the number of people in need of support as well as the potential role that social protection can play in the country. There is ample room to extend coverage and to improve the effectiveness and efficiency of the programmes, a fact of which all partners are aware. The National Strategy for Basic Social Security defines important goals and some of the key activities that will help to attain these goals. Beyond describing a final result, the Strategy and the Regulation are setting the agenda for the coming years, making it clear that challenges will be significant.

For instance, at the concrete level of implementation, programmes will need to be revised. Some will be realigned, others will terminate, and still other new ones will be created. Currently, the Ministry of Women and Social Action is using the technical support provided by some partners to analyse the best options for covering different vulnerable groups. Many options for targeting these groups are now on the table. The strategy development implied a first analysis of the cost of the different possibilities. Now a deeper analysis is being conducted and it is likely that some priorities will need to be selected. Technical committees are being created to discuss the different options but it is already emerging that particular attention will be given to households with vulnerable children.

Simultaneously, the National Programme of Productive Social Action

needs to be designed in order to cover the most vulnerable individuals who are able to work in an effective way. Linking this programme to other government efforts could be the solution for guaranteeing that funding exists on the scale required to cover a considerable share of the population.

In addition, the extension of the Food Subsidy Programme is under discussion as is the setting of an ambitious but realistic target. This extension should allow for the inclusion of all indirect beneficiaries (namely, the children that are part of the direct beneficiary's household), significantly increasing the developmental impact of the cash transfer.

At the same time, a dialogue with the Minister of Finance should also take place to find the best way to promote the creation of an automatic mechanism for indexing the subsidy amount to inflation. This is extremely important for guaranteeing that the impact of the transfer on the beneficiaries' well-being is not reduced every year.

There are also challenges to increasing the efficiency of the Programme at the institutional level. Efforts need to be made to achieve an even more transparent system and this implies, among other things, improving selection mechanisms, the information system and the guidelines for implementation at the field level. Another important aspect is the reduction of administrative costs by lowering the cost of delivering the transfers and increasing the amount available to beneficiaries. This implies a restructuring of the procedures.

Currently, a debate is taking place on the use of third-party payment.

Finally, two other challenges will be central to the debate throughout the coming years and they are interlinked. One is associated with funding limitations. Owing to the financial constraints on government resources, the Ministry of Women and Social Action needs to search for solutions in order to be able to fund the expansion that it proposes in the Strategy. In the Strategy, the creation of a social action fund is foreseen, which can include, at least in the short term, the use of donor funds. However, in the mid- to long term, the funding issue implies a discussion that goes beyond the scope of the intervention of the Ministry of Women and Social Action. It pertains to issues linked to the political economy, such as the increase of fiscal space. An interesting discussion is currently taking place regarding the taxation of the mineral industries and other mega-projects. In some countries, the revenues from these industries have been part of the funding solution.

This leads to the second issue, which is the role of social protection in the development strategies of Mozambique. The allocation of resources to this sector will depend on the level of priority attributed to social protection on the country's policy agenda. This will entail important efforts in raising awareness among the different stakeholders in the country, namely, among policymakers. The Strategy may include the development of an advocacy plan as one of its key deliverables. Touching different segments of

society will be important but this will also depend on the capacity to present concrete proof that investing in social protection is an efficient way to achieve poverty reduction.

Public and political perceptions regarding social protection, e.g., the issue of the risk of dependency, should be considered when policy proposals are discussed. Contradicting some of the perceptions surrounding social protection, the studies of the major international programmes do not show the existence of a negative effect on labour supply. To be successful in the expansion of social protection, it is crucial not to let the best be the enemy of the good and, taking public perceptions into account, build consensus around compromise in programme implementation and roll-out.

Despite all these challenges, the current moment can be seen as a moment of opportunities for social protection in Mozambique. After the approval of the Strategy and the Regulation for Basic Social Security, social protection is receiving a new emphasis in the first draft of the new PRSP. The new Memorandum of Economic and Financial Policies between the International Monetary Fund and the Government of Mozambique clearly states the need to build sustainable safety-net mechanisms through the implementation of the National Strategy for Basic Social Security. In particular, the area of productive safety nets has been raising interest among various ministries and international partners.

Indeed, the recent data on poverty reduction can be interpreted as a sign that the post-war model of economic growth and poverty reduction has been exhausted and is facing problems in reaching the poorest group of the population, suggesting that special measures oriented to this group are needed. The fact that an important share of the population feels excluded from the process of economic development is one of the main reasons for social instability. The riots of February 2008 and September 2010 should be analysed within the context of the major development challenges in Mozambique. Looking at the situation from another perspective, the social unrest that can result from the lack of progress in poverty reduction can have a negative impact on the business environment since social stability occupies an important position among the variables affecting the decisions of economic agents to invest in a country.

^{ix} World Bank, *Beating the Odds: Sustaining Inclusion in Mozambique's Growing Economy*, 2008.

^x UNDP, *Mozambique National Human Development Report 2007*.

^{xi} World Bank, *Beating the Odds: Sustaining Inclusion in Mozambique's Growing Economy*, 2008.

^{xii} Ibid.

^{xiii} Ibid.

^{xiv} National Social Security Institute (INSS), *Developing an Effective Pension System in Mozambique*, 2008, and USAID, 2009.

ⁱ World Bank, *World Development Indicators* 2008.

ⁱⁱ Multiple Indicator Cluster Survey, National Statistics Institute (Instituto Nacional de Estatística, INE), 2008.

ⁱⁱⁱ WHO, UNICEF, UNFPA and World Bank, *Global Health Observatory*, 2005.

^{iv} International Monetary Fund (IMF), *World Economic Outlook*, 2010.

^v International Monetary Fund (IMF), *World Economic Outlook*, 2010.

^{vi} UNDP, *Human Development Report 2010*.

^{vii} UNDP, *Mozambique National Human Development Report 2007*.

^{viii} UNDP, *Human Development Report 2010*.