



# SOCIAL ACTION

## Budget Report

### Mozambique 2022





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## 1 Main reflections and challenges

Despite the great progression of coverage in 2021, there is still great room for progression towards the goal of 28% coverage of people living below the poverty line in 2024 (according to the National Strategy for Basic Social Security 2016-2024, ENSSB II, and the Five-Year Government Plan, PQG) and the goal of 75% coverage in 2035, expressed in the National Development Strategy (ENDE). There is relevant coverage of one of the target groups of the Basic Social Subsidy Program (PSSB), the elderly population in poverty, even if with opportunities for improvement. **In order to reach the government goals of coverage of the poor population, it is necessary**

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It becomes important to increase the subsidy so that it can accommodate the cumulative effect of price increases on vulnerable families supported by the PSSB.

**to strengthen the focus on the other target groups, especially people with disabilities and children.**

The COVID-19 pandemic crisis generated a response from the Government of Mozambique, with support from development partners, leading to a significant increase in the number of total beneficiaries, by increasing coverage under the Post-Emergency Direct Social Support Program (PASD-PE) in response to COVID-19, which ends in 2022. A relevant number of the new PASD-PE beneficiaries may be eligible for other forms of support. **It is possible, to the extent of the capacity of the National Institute for Social Action (INAS) and since they are already registered, to try to integrate as many eligible people as possible into the PSSB, in order to be able to continue the support that the Law grants them.**

In conjunction with the need to accelerate the process of extending social welfare coverage, it is noted with concern that the nominal value of the basic social allowance has been frozen since 2018 while, due to inflationary processes, the cost of the basic consumption basket is estimated to have increased significantly. **It becomes important an increase in the subsidy that can**





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**accommodate the cumulative effect of price increases on vulnerable families supported by the PSSB.**

The target population of regular social assistance programmes, such as PSSB and PASP, are the poor and vulnerable, and as such, the coverage of these programmes is expected to be higher in provinces with higher poverty rates. Despite the increased coverage of these programmes in provinces with high vulnerabilities, geographical disparities remain. In particular, the levels of coverage of the eligible population in Niassa, Nampula and Zambezia provinces are well below the national average and the targets set in the ENSSB and the PQG. **Efforts to increase coverage in these provinces need to be strengthened in order to accelerate convergence between provinces.**

Recent years have witnessed an increase in beneficiaries without a response in the capacity of INAS services, either in terms of human resources and other operating expenses (except for transfers to beneficiaries) or in terms of investment. The capacity constraints became particularly evident when the system had to respond to a tripling of beneficiaries in response to the COVID-19

pandemic. **There is an opportunity to draw, as a learning from this process, the pressing need to enable the recruitment of human resources, reinforce operating costs and renew the physical capital supporting social action.**

These findings and recommendations are reflected in the Mid-Term Evaluation of the National Strategy for Basic Social Security, which are endorsed.



It is necessary to strengthen the effort to increase coverage in the provinces of Niassa, Nampula and Zambezia, in order to accelerate convergence between provinces.





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## 2 Overview of Social Action

Mozambique is one of the poorest countries in the world, with an average per capita consumption of 42.3 MT at constant 2016 prices, almost half of the population (46.1%)<sup>1</sup> living in monetary poverty and 55.0% living in multidimensional poverty condition, as per the latest poverty assessment (MEF, 2016) and as illustrated in Figure 1. Since the last assessment reported in 2014, per capita consumption is projected to have risen from 42,3 to 61,4 MT, while the poverty line is projected to have risen from 29,2 to 51,6 MT (see Figure 2), leading to an increase in poverty. However, for purposes this analysis was conducted under the assumption that the incidence of poverty had not changed since 2014. As Figure 3 illustrates, there are significant asymmetries between provinces, with the highest poverty rates in Niassa, Nampula and Zambezia provinces.

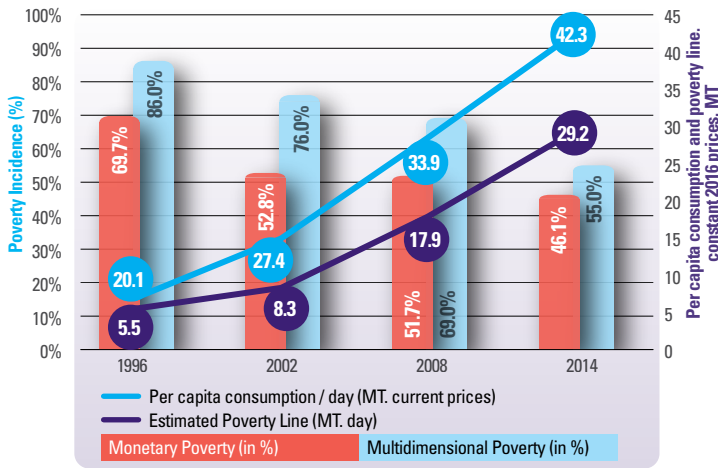
The year 2022 was marked by the return to international budget support with a commitment of USD 470 million (2022-2025) from the International Monetary Fund (IMF) to support economic growth, fiscal sustainability and public finance reforms and governance. As part of this support, the IMF has affirmed, as an important objective of the Mozambican government, the imperative of maintaining fiscal space for social protection, due to its targeting of the most vulnerable families. Budget support from the World Bank,<sup>2</sup> has resumed, and there are expectations that more partners will join, including the African Development Bank and the European Union.

<sup>1</sup> MEF (2016), Poverty and Well-being in Mozambique: Fourth national assessment

<sup>2</sup> The World Bank announced on 22 August funding of USD 300 million for the health, education, social protection, energy and potable water sectors

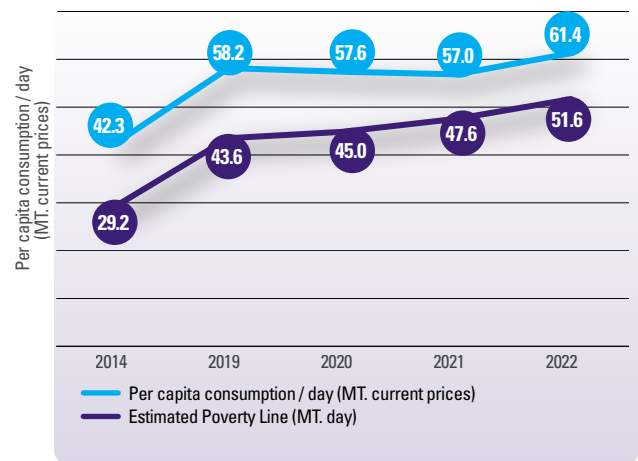


**Figure 1: Monetary and multidimensional poverty**



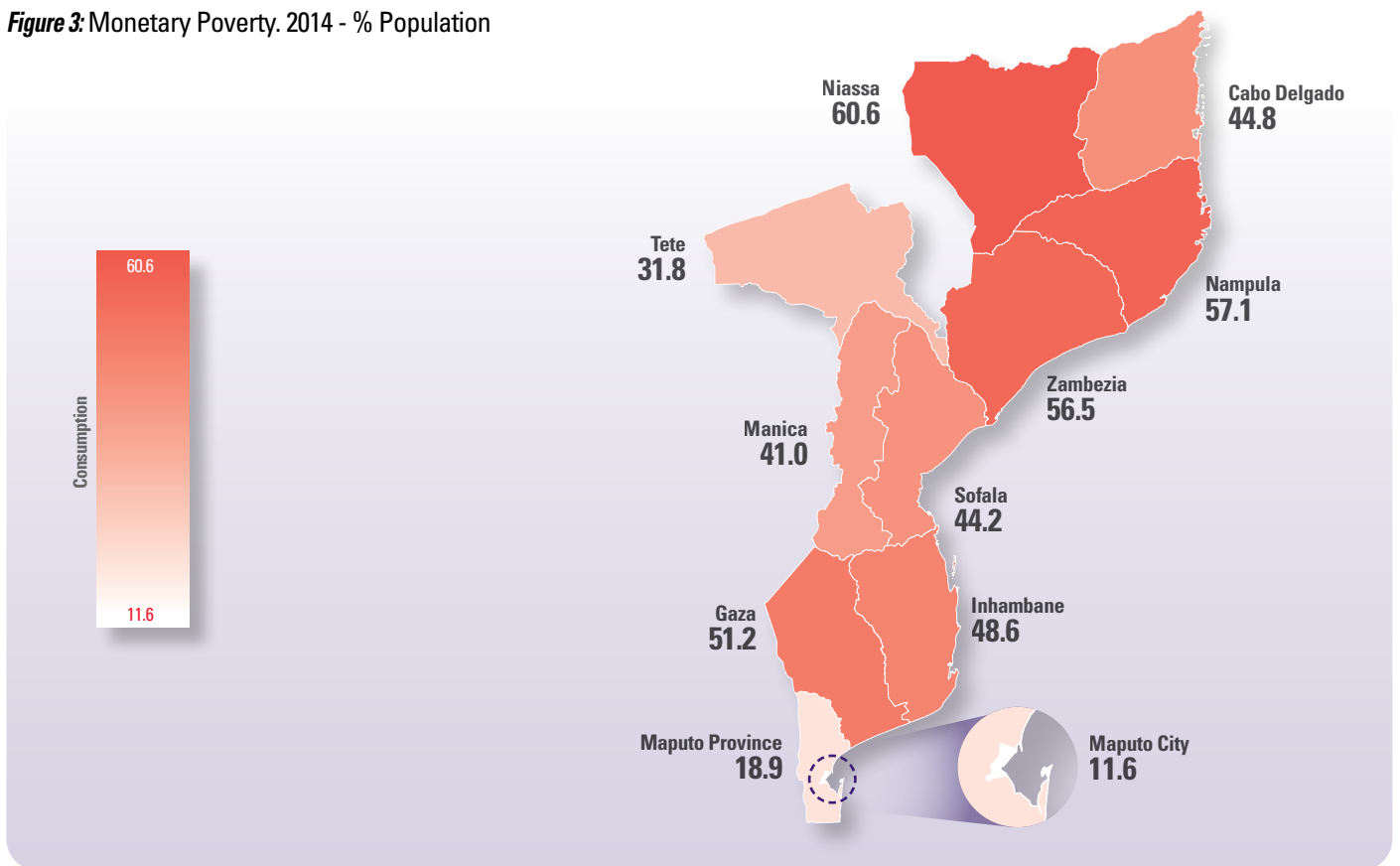
Source: calculations based on MEF (2016) and INE statistics

**Figure 2: Per capita consumption and poverty line, estimations**



Source: calculations based on MEF (2016) and INE statistics

**Figure 3: Monetary Poverty. 2014 - % Population**



Source: MEF (2016) calculations

In Mozambique, social protection is enshrined in the Constitution of the Republic, in its articles 35, 88, 89, 91 and 95, which states that all citizens have the right to education, health and housing without any type of discrimination, as well as to protection in the event of disability and old age. Social protection is legislated through Law 4/2007 of 7 February. The Five-Year Government Program (2020-2024) aims to reach 28% of poor households.

Social protection is operationalised through the National Strategy for Basic Social Security (ENSSB 2016-2024<sup>3</sup>). Through this strategy, the Government of Mozambique aims to reach 3,352,515 direct beneficiaries and a total of 8,274,789 indirect beneficiaries, with an allocation of 2.23% of GDP by 2024.

3 Approved at the 5th Session of the Council of Ministers





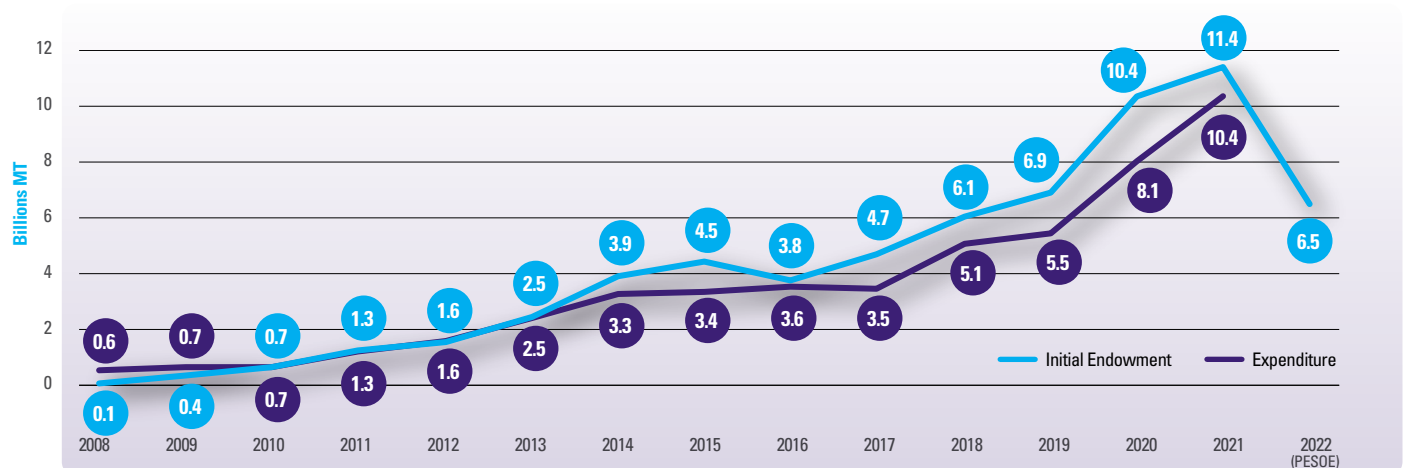
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### 3 The trend of Social Action Expenditures

The Government of Mozambique’s commitment to Social Action, which, as noted in Figure 4, had almost doubled in 2020 and 2021 in response to climate shocks and the COVID-19 pandemic, returned in the 2022 Economic and Social Plan and State Budget (PESOE) to values close

to the initial 2019 allocation (in current prices). This reduction reflects the termination of some forms of direct budget support for pandemic response. A trend towards expenditure realisations below budgeted values is also noted, especially since 2017.

**Figure 4:** Expenditure of the Social Action Sector, current prices



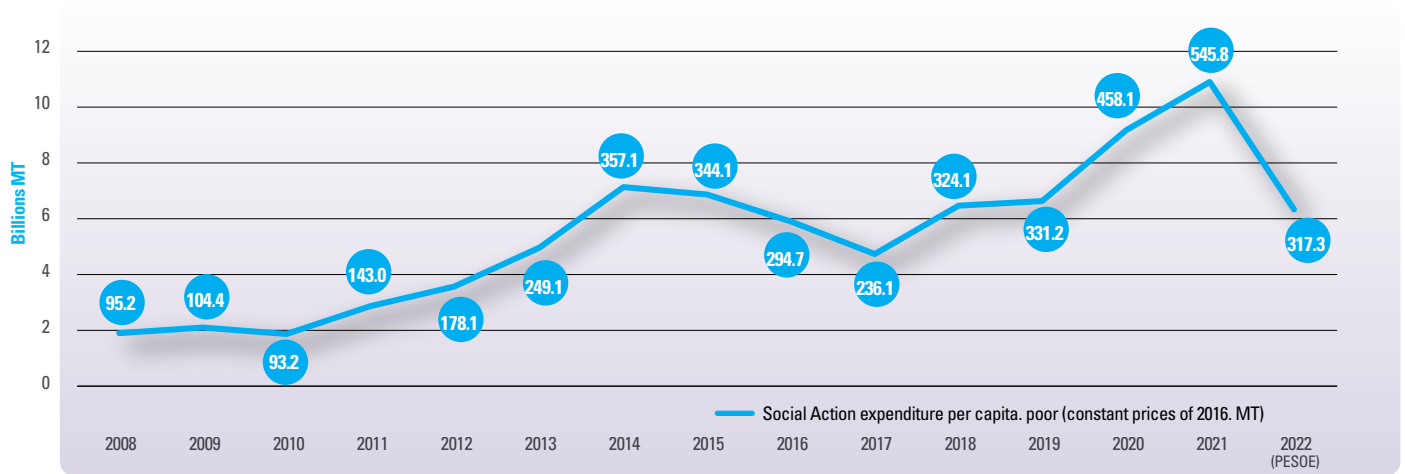
Source: CGE and REO 2008-2021, PESOE 2022



The reduction in social action expenditure is also evident in Figure 5. The average support per poor person (assuming

the poverty rate has not changed since 2014) which had also increased by 2021 has reduced to below 2018 levels.

**Figure 5:** Real Social Action sector expenditure per capita, poor (MT)

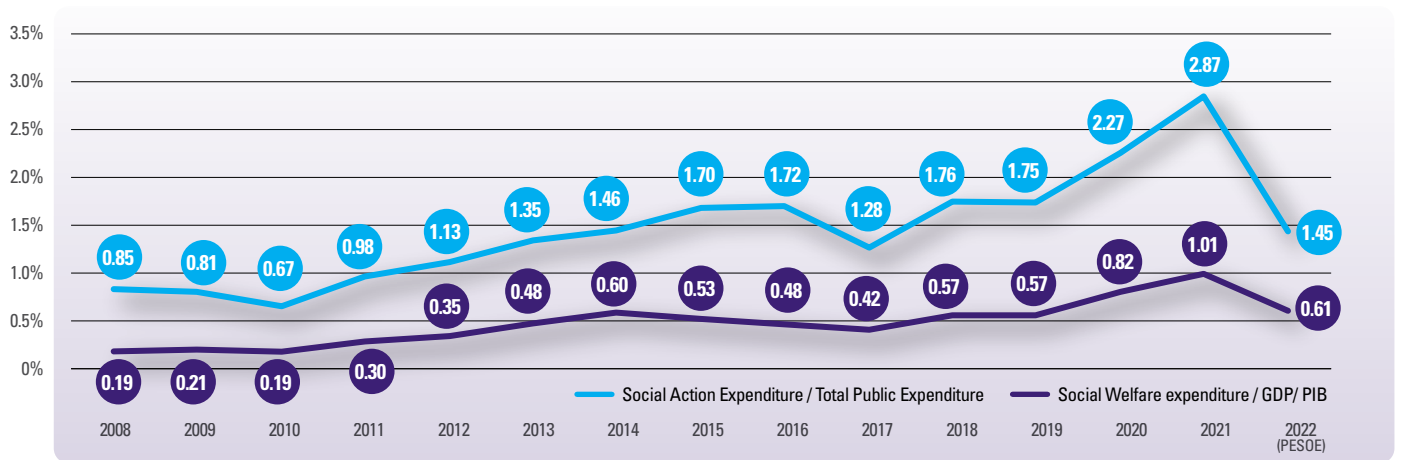


Source: CGE and REO 2008-2021, PESOE 2022

There is therefore, a reduction in the public commitment to social action in 2022. As shown in Figure 6, the social action budget in 2022 represents proportions of

total public expenditure and gross domestic product comparable to those observed in 2017 and 2018, i.e. before the significant expansion.

**Figure 6:** Share of the Social Action Sector Expenditures



Source: CGE and REO 2008-2021, PESOE 2022





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# 4

## Composition of Social Action Expenditure

### 4.1 PSSB - Basic Social Allowance Program

The Basic Social Allowance Program (PSSB) remains the most comprehensive and well-resourced social protection program, with the overall objective of increasing the consumption capacity of people experiencing poverty and vulnerability through cash transfers. At a specific level, the PSSB aims to **a)** improve the well-being of elderly people through compensation for old age; **b)** improve the well-being of disabled people through compensation for functional disability; **c)** improve the living conditions of people with chronic and degenerative diseases; **d)** contribute to reducing the risk of chronic malnutrition in children; **e)** encourage family protection of children orphaned by both parents, neglected and/or abandoned, as well as improve their living conditions and; **f)** respond to the basic needs of child-headed households and contribute to the development of human capital.

Using data from the 2017 Population Census and the 2014 poverty rate, we calculated the number of poor people in each PSSB target group, using these values

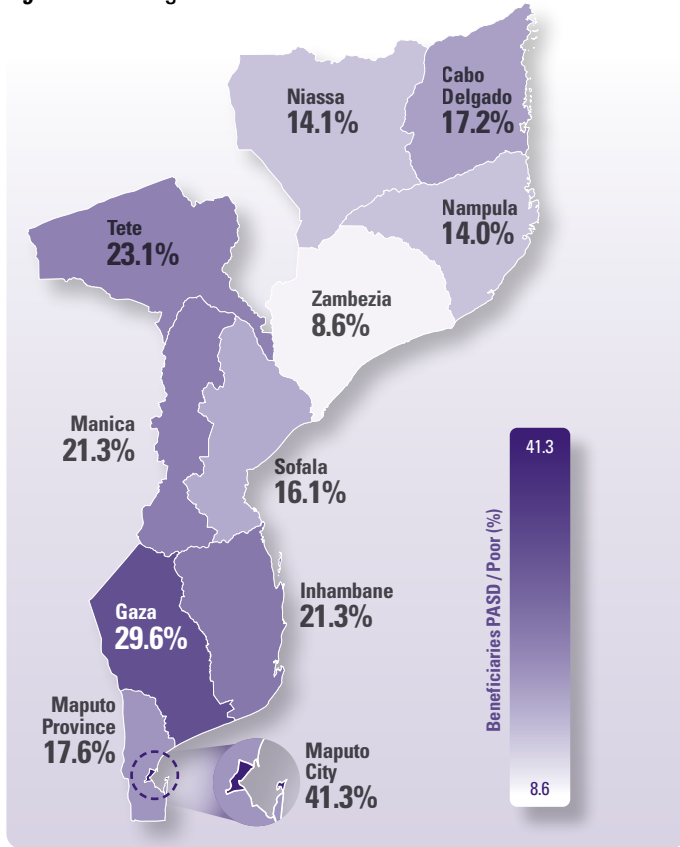
to calculate the national coverage rate, presented in Figure 9. Although targeted at poor people, with specific lines for the elderly, people with disabilities and children, there are important challenges in covering the last two groups mentioned. The coverage of the poor elderly population, at 62.4%, is frankly positive and with room for improvement.

Similarly, Figure 7 shows unequal coverage at the territorial level, with the highest proportions of the poor supported in Maputo City (41.3%), Gaza (29.6%) and Tete (23.1%) provinces and the lowest in Zambezia (8.6%), Nampula (14.0%) and Niassa (14.1%).

In view of the great challenges in extending coverage, Figure 9 only shows a significant increase in the number of beneficiaries enrolled in the PSSB in the province of Nampula, and reductions in the provinces of Tete, Manica and Sofala.

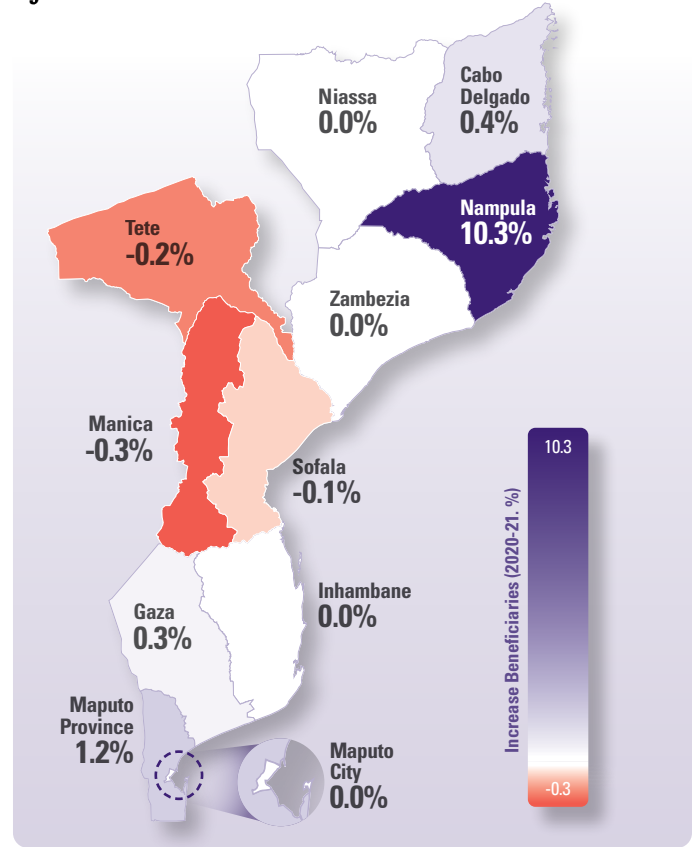


**Figure 7: Coverage Rate of PSSB 2021**



Source: calculations based on BdPESOE 2021 and MEF(2016)

**Figure 8: Growth of PSSB Beneficiaries**



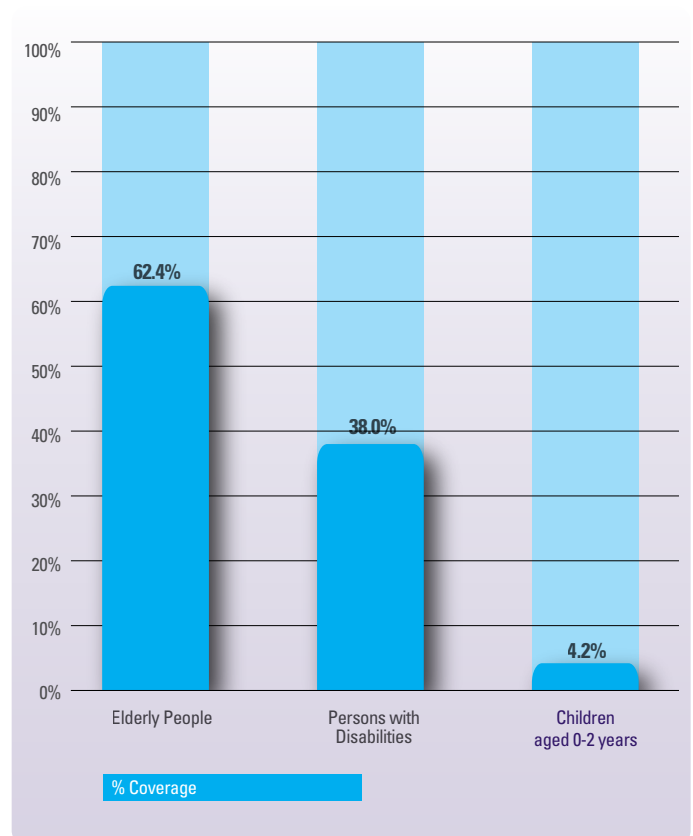
Source: calculations based on BdPESOE 2021

As shown in Figure 11, public expenditure on this programme has been increasing, in nominal terms, with the most significant increase in 2018 remaining sustained. In 2022, this programme again used more than half of the resources dedicated to Social Action by the Government of Mozambique and close to 75% of the resources allocated to INAS programmes. The relative loss of importance in 2020 and 2021 was due to the response to the pandemic through the post-emergency direct social support programme in response to this emergency, PASD-PE, analysed below.

It can be seen in Figure 12 that over the last three years the preponderance of the domestic financing component of the PSSB budget has been eroding, from 98.0% in 2020 to 84.2% in 2022.

As determined by Decree of the Council of Ministers, the value of the subsidy under the PSSB has been fixed, since 2018 at 540 meticaís per month. At the same time, as can be seen in Figure 10, the cost of the poverty line reference basket has been increasing. In other words, the PSSB subsidy has become increasingly distant from the value of the most basic consumer basket, reducing the support it provides to the needs of the poorest people.

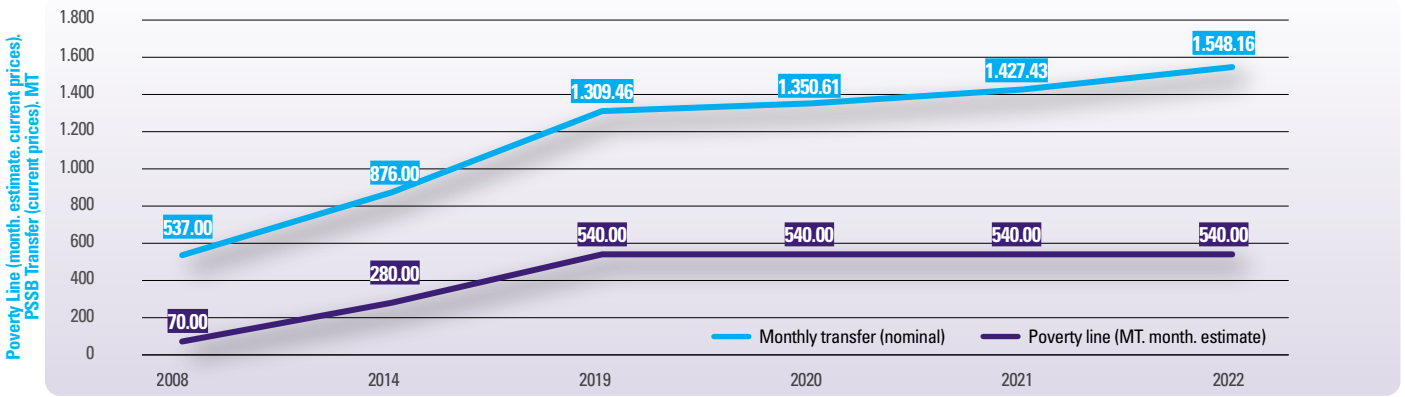
**Figure 9: National Coverage Rate of PSSB**



Source: calculations based on BdPESOE 2021 and MEF(2016)

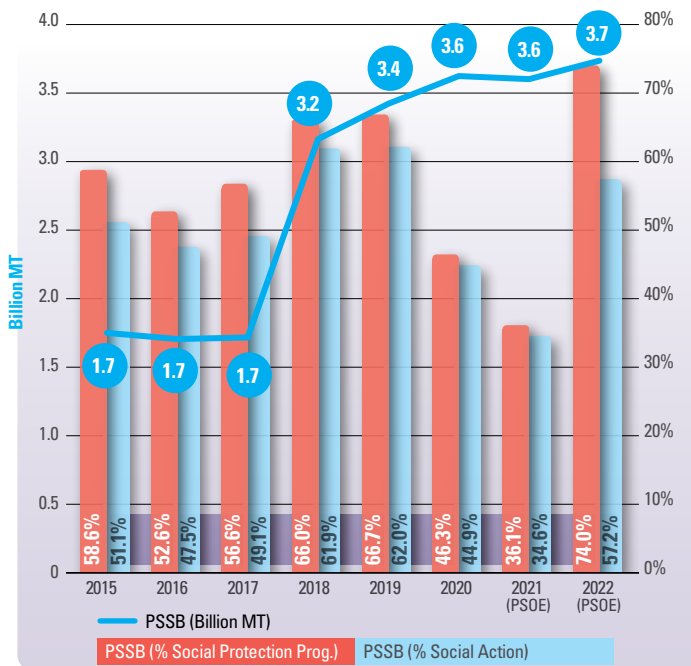


**Figure 10:** PSSB Transfer and Poverty Line



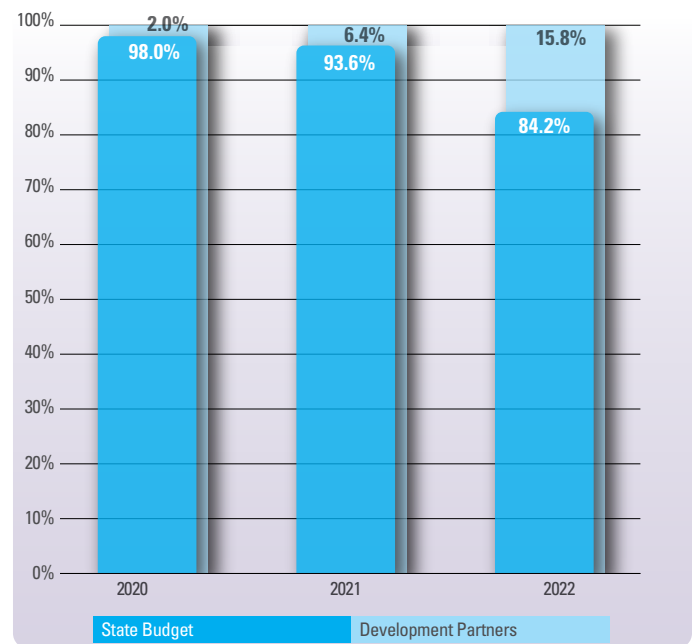
Source: calculations based on BdPESOE 2021 and MEF(2016)

**Figure 11:** PSSB's Expenditures



Source: CGE and REO 2008-2020, PESOE 2021-2022

**Figure 12:** PSSB's funding



Source: CGE and REO 2008-2020, PESOE 2021-2022

## 4.2 PASD – Direct Social Support Program (including PASD-PE Covid-19)

The Direct Social Support Program (PASD), the second INAS programme in terms of resources allocated in the budget, aims to provide one-off or prolonged assistance, for a determined time, in the form of multiform support, to people or households in situations of poverty and vulnerability, affected by shocks and emergency situations afflicting Mozambique. Due to its nature, the program included in 2020 and 2021 the social support campaign in the context of the COVID-19 pandemic.

As can be seen in Figure 15, there was a significant increase in public expenditure on the PASD in 2020 and 2021 (especially in that year) in response to the pandemic.

However, the PESOE of 2022 shows a reduction in commitment.

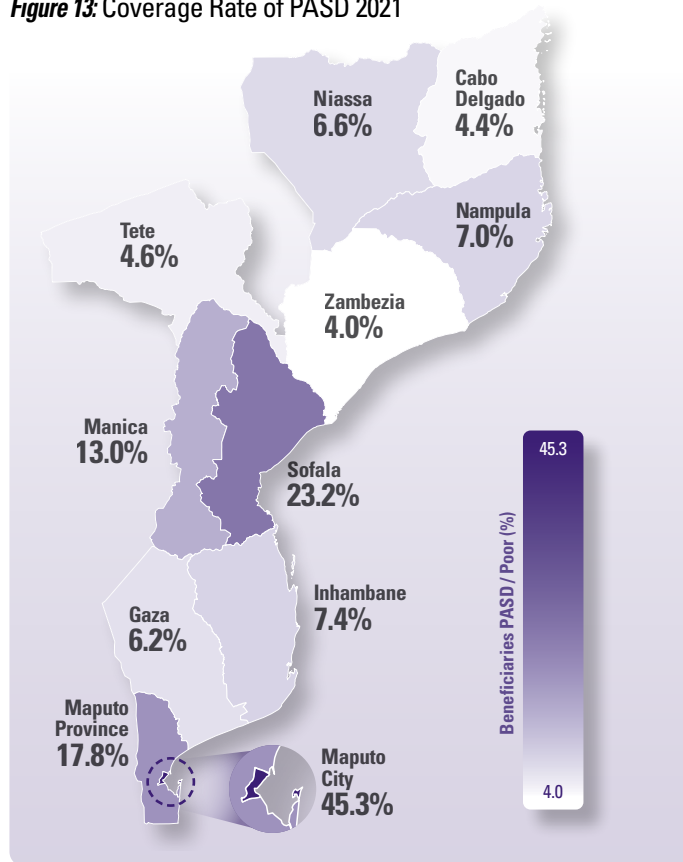
In Figure 14 it is evident the strong contribution to the State Budget in 2020 in response to the pandemic, as well as the 2019 PASD-PE grant in response to Cyclone Idai, whose funding and payments to beneficiaries only occurred in 2020. However, as shown in the previous figure, the most significant increase in expenditure did not occur until the following year, due to severe operational constraints that led to delays in grant payments (more information in Box 1 on page 9).



Figure 13 indicates higher levels of coverage for the poorest in the central provinces of Sofala (23.2%) and Manica (13.0%) that were victimised by Cyclone Idai, but also in Maputo City (45.3%) and Maputo Province

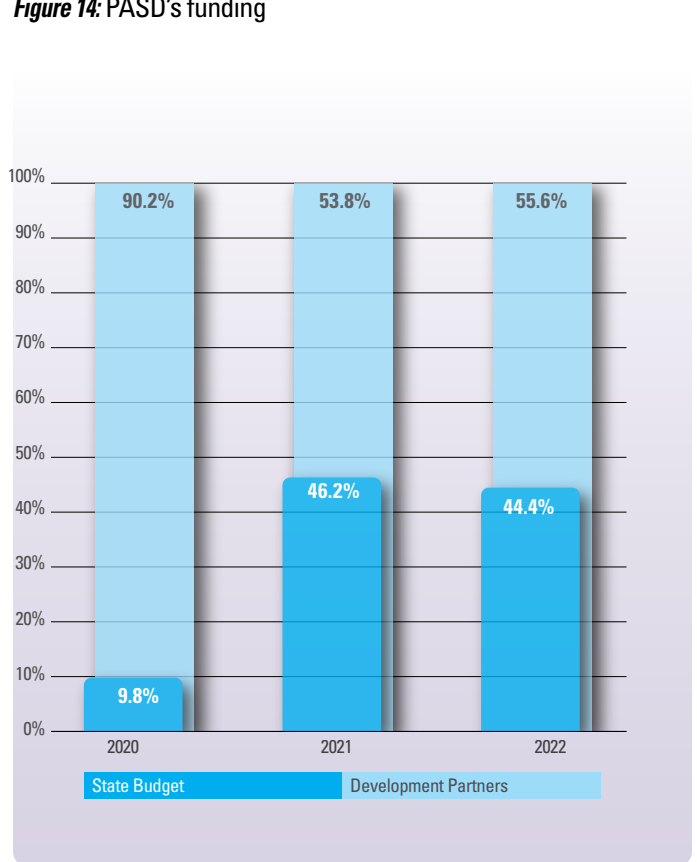
(17.8%), the two most urban provinces, and as such, with more beneficiaries supported by the COVID-19 response programme (designed for urban, peri-urban and border areas).

**Figure 13: Coverage Rate of PASD 2021**



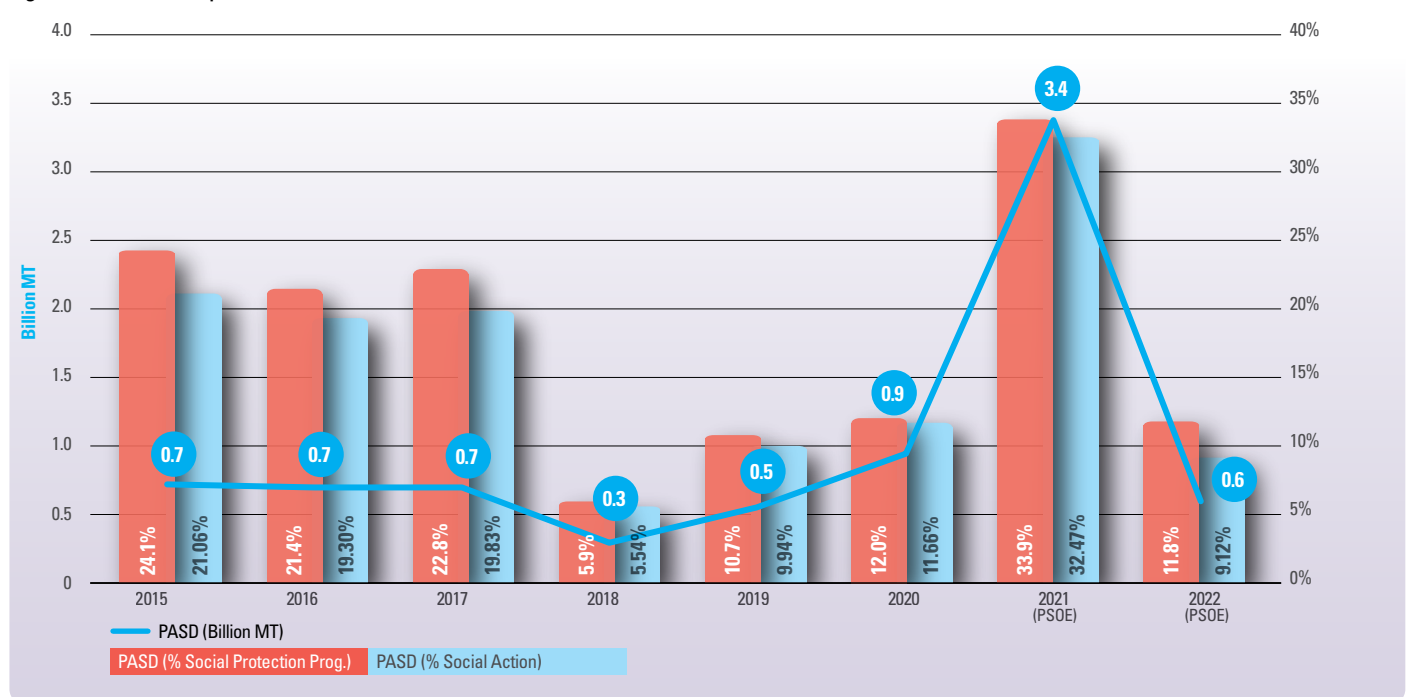
Source: calculations based on BdPESOE 2021 and MEF(2016)

**Figure 14: PASD's funding**



Source: CGE and REO 2008-2020, PESOE 2021-2022

**Figure 15: PASD's Expenditures**



Source: CGE and REO 2008-2020, PESOE 2021-2022



## Box 1 Budgetary challenges of expanding post-emergency social support

In late 2019, a new respiratory disease with high similarities to the previous SARS virus was identified in Huanan province, China. Within a very short time, COVID-19 was spreading worldwide. In Mozambique, the first case was identified on 22 March 2020, with 230,000 cases and just over 2,200 deaths attributed to the disease by September 2022. In total, there were three major waves in Mozambique, between January and April, June and September 2021 and December 2021 and February 2022.

The Government of Mozambique, with the support of development partners, activated an emergency sub-programme, PASD-PE, to respond to COVID-19, under the PASD. This sub-programme, aimed at providing a subsidy of 1,500 MT for six months (total value of 9,000 MT), divided into two or three tranches, as well as the payment of a reinforcement subsidy to all INAS beneficiaries.

The Government of Mozambique planned to support 1.1 million new households with this programme.

The intense contribution of the development partners, particularly in the form of budget support, resulted in a massive increase in the programme's budget allocation from 0,9 billion Meticaais in 2020 to 3,4 billion Meticaais in 2021, more than double the budgeted amount in each year from 2015 to 2017 and six times the budgeted amount in 2018. This unprecedented increase in the budget aimed to ensure transfers to the new population served, without increasing the human and material capacity of the MGCAS Social Action structures, including INAS.

It added a very important number of challenges:

- **Difficulties in reaching so many beneficiaries in such a short time:** the number of beneficiaries tripled in one year, while the social protection system was already operating with signs of pressure on installed capacity, as mentioned in previous issues of this budget report.

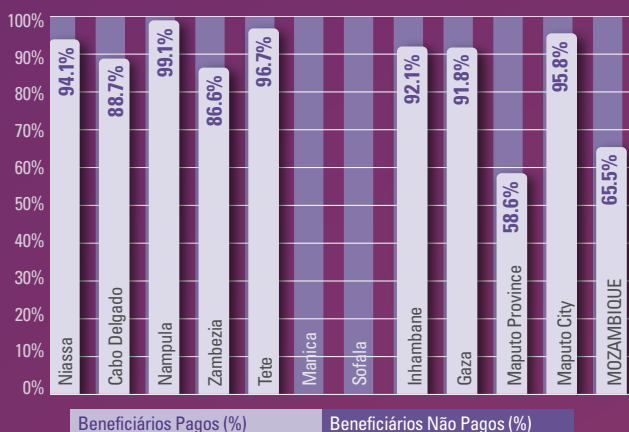
- **Difficulties in reaching beneficiaries, due to the pandemic itself:** the social distancing rules imposed major limitations on the procedures required to identify and round up people who started benefiting from social protection for the first time through this mechanism.
- **Logistical difficulties:** the PASD-PE COVID-19 had as its infrastructure a Mobile Payment System, leading to the need to purchase a significant volume of mobile phones at a time when world markets were flooded with similar requests from other countries where the same type of solution was adopted.

In light of these challenges and the failure to increase capacity, more than half of the enrolled beneficiaries, 65.5% as per Figure 16, received payment by May 2022, but there were significant delays in the reimbursement of the subsidy, which were still occurring in Niassa, Nampula, Inhambane and Gaza provinces as per Figure 17. It is also noted that none of the beneficiaries registered in Manica and Sofala provinces had received subsidy by May 2022. However, all beneficiaries of the regular INAS programmes (PSSB, PASP) who were already enrolled in social protection programmes received the increased subsidy without delay.

Rather than noting the mishaps of a process that necessarily took place under highly challenging conditions, it is important to point out potential lessons:

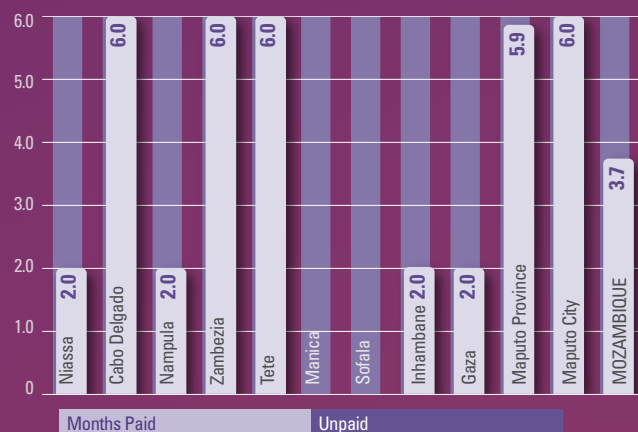
- **Strengthening the institutional capacity of INAS is indispensable to equip the institute for a more effective and rapid response to emergencies of this and other types,** such as climatic disasters (cyclones, among others);
- Additional payments to current beneficiaries of other programmes (such as PSSB and PASP) have proven to be effective and quick, It follows that **extending the coverage of social welfare programmes, notably the PSSB, will make the social protection system more responsive to emergencies.**

Figure 16: PASD - PE - Covid - % Benef. supported until May, 2022



Source: INAS. Status Report Response to COVID 19. May 2022

Figure 17: PASD - EP - Covid - Months paid up to May 2022



Source: INAS. Status Report Response to COVID 19. May 2022



### 4.3 PASP – Productive Social Action Program

The Productive Social Action Programme (PASP) is the third INAS programme in terms of resources allocated in the budget. It targets poor and vulnerable people with the capacity to work, using public works and income generation initiatives to strengthen consumption and climate change resilience in at-risk areas.

As can be seen in Figure 20, after a strengthening until 2019, this programme has reduced in relative importance, even if, as in previous programmes, there has been an increase in the budget allocation in 2021. Under the 2022 PESOE, the reduction, both in relative and absolute terms, has accentuated.

Largely, as Figure 21 shows, the reduction in the budget allocation for the PASP coincided with a reduction in the participation of development partners in the funding of this programme, in particular the end in December 2021 of the World Bank support to this programme, support that had started in 2013.

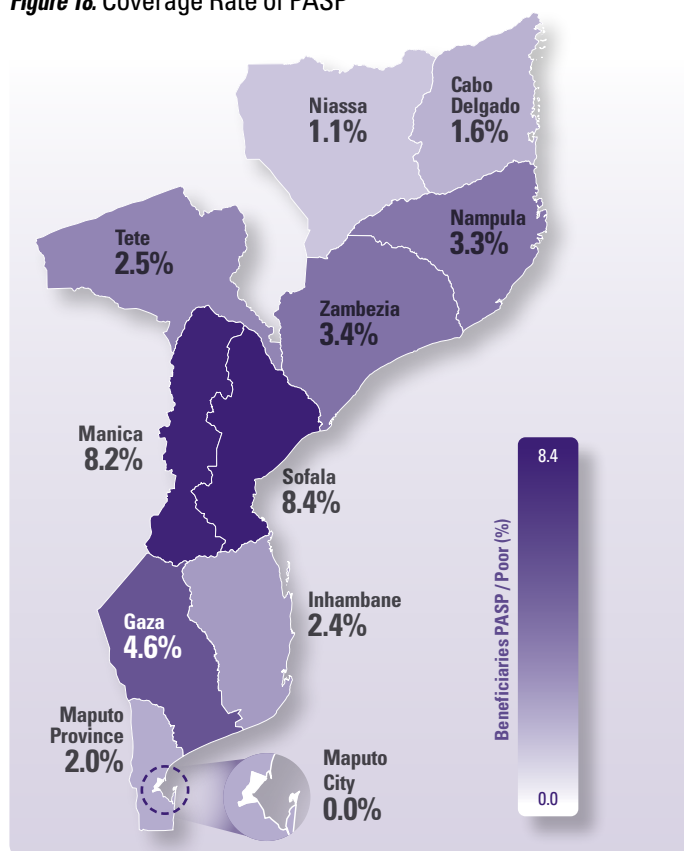
Given the objectives of the programme, a higher rate of coverage of the poor population in the provinces of Sofala (8.2%) and Manica (8.4%) appears natural, as can be seen in

Figure 18. However, it is noted that the proportion of eligible people served by the programme is quite low.

Analysing Figure 19, we also note a great fluctuation in the number of beneficiaries between 2020 and 2021, with significant increases in Maputo Province and Niassa, but equally strong reductions in Tete and Zambezia.

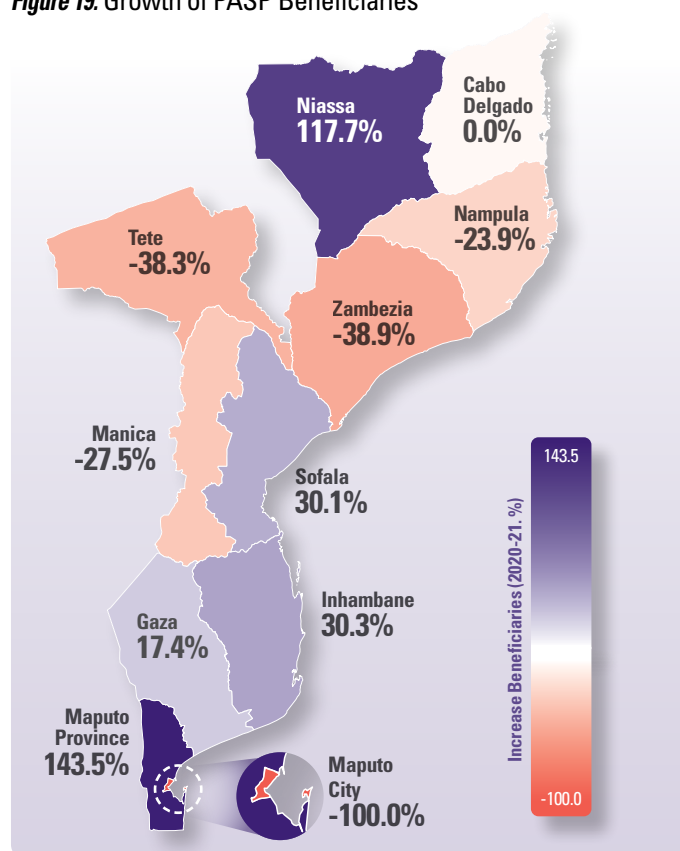
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The Productive Social Action Program (PASP) is the third INAS-IP program in terms of resources allocated in the budget.

Figure 18: Coverage Rate of PASP



Source: calculations based on BdPESOE 2021 and MEF(2016)

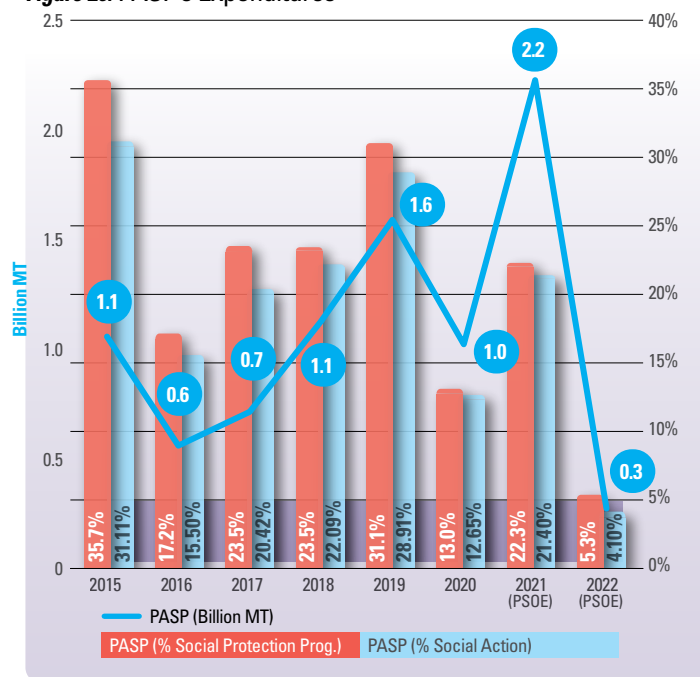
Figure 19: Growth of PASP Beneficiaries



Source: calculations based on BdPESOE 2021

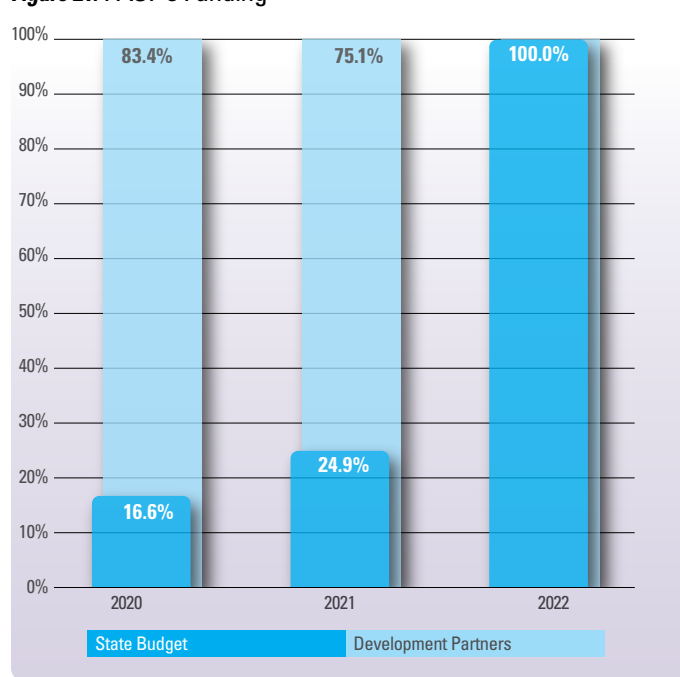


**Figure 20: PASP's Expenditures**



Source: CGE and REO 2008-2020, PESOE 2021-2022

**Figure 21: PASP's Funding**



Source: CGE and REO 2008-2020, PESOE 2021-2022

## 4.4 PROSAS – Social Action Services Program

The Social Action Services Program (PROSAS) together with the next programme (Social Units Assistance Program - PAUS) constitute an intervention front with a different nature from those previously analysed. These two programmes offer social assistance services, without the transfer component, but with the very important components of monitoring and referral of the most vulnerable and at risk. By their nature, they are complementary programmes to some, if not all, of the social protection programmes of the Government of Mozambique.

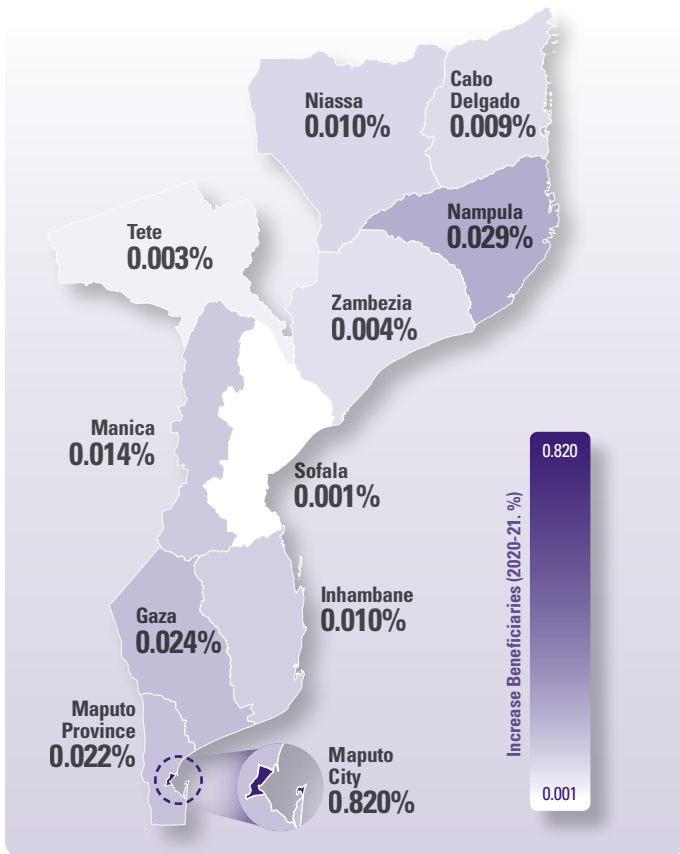
In particular, PROSAS aims to prevent social risks by working with communities and families.

It is evident from Figure 24 that this program faces a significant lack of resources, having received no budget allocations in 2020 and 2021. The PESOE of 2022 reveals an important commitment from the Government of Mozambique, even though the programme does not reach 1% of the total budgeted Social Action expenditure. It should be noted that the budget allocated to this program is fully supported by the Mozambican Government.

With less than 3,000 beneficiaries registered, of which just over 1,000 in Maputo City province, the coverage rate of PROSAS, as shown in Figure 22, is very low and somewhat uneven.

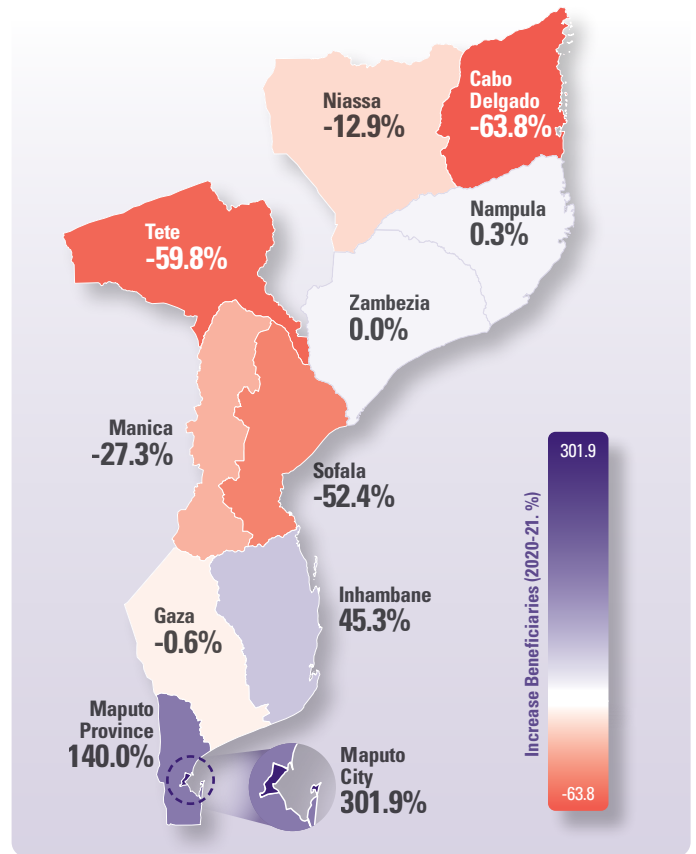
As can be seen in Figure 23, between 2020 and 2021 there were remarkable reductions in the numbers of registered beneficiaries in some provinces, namely Cabo Delgado (-63.8%), Tete (-59.8%) and Sofala (-53.4%), and also remarkable increases in Maputo City (301.9%) and Maputo Province (140.0%).

**Figure 22: Coverage Rate of PROSAS**



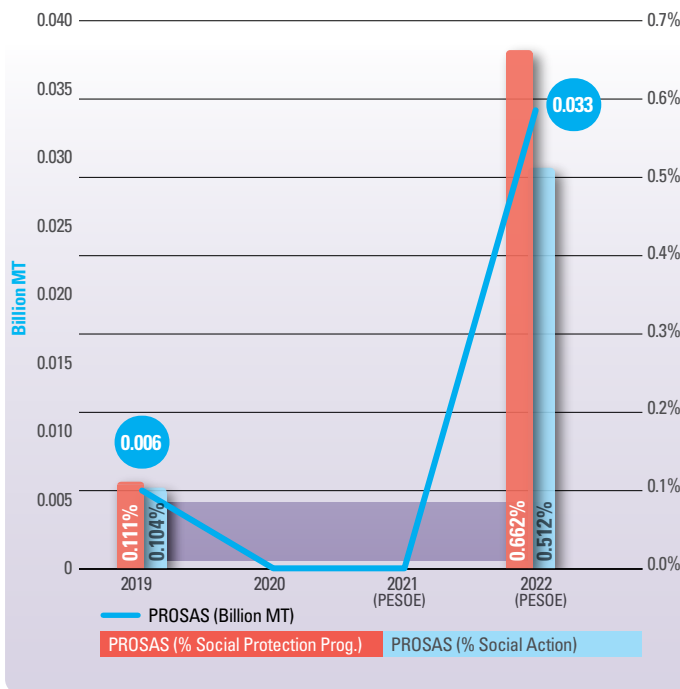
Source: calculations based on BdPESOE 2021 and MEF(2016)

**Figure 23: Growth of PROSAS Beneficiaries**



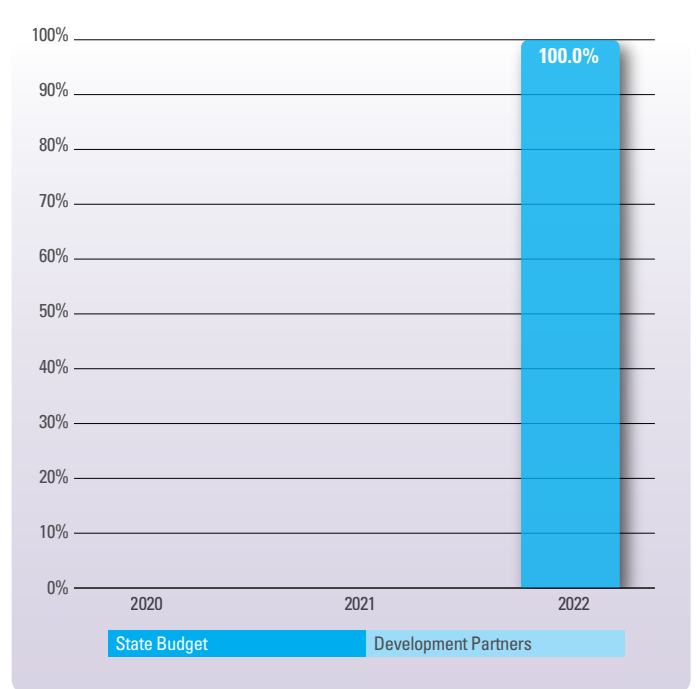
Source: calculations based on BdPESOE 2021

**Figure 24: PROSAS's Expenditures**



Source: CGE and REO 2008-2020, PESOE 2021-2022

**Figure 25: PROSAS's funding**



Source: CGE and REO 2008-2020, PESOE 2021-2022



## 4.5 PAUS – Social Units Assistance Program

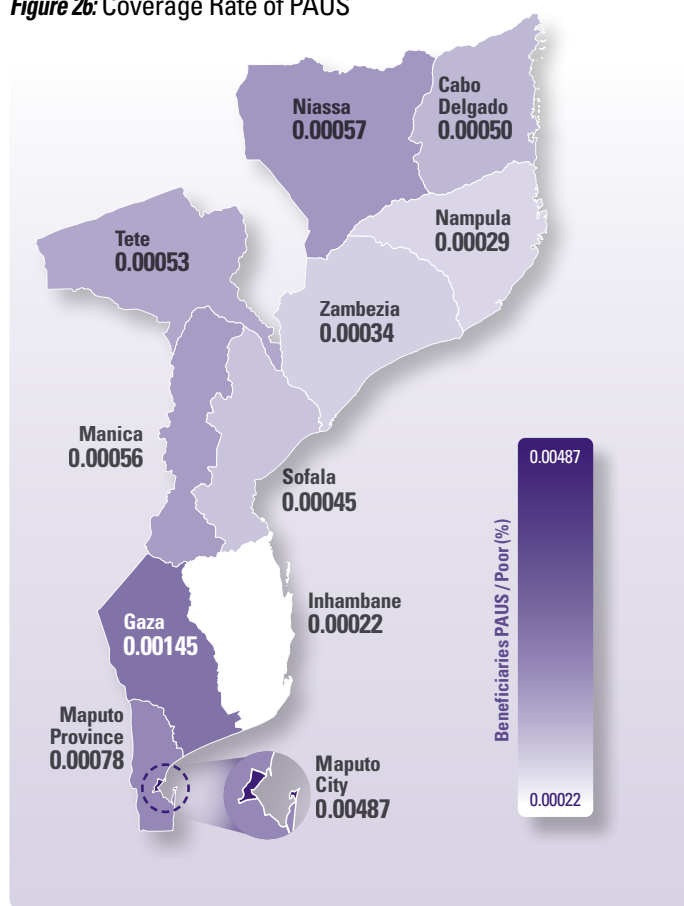
In conjunction with PROSAS, the Social Units Assistance Program (PAUS) focuses on providing social assistance services that complement social protection programs. Specifically, PAUS has as its target group individuals in a situation of destitution, mitigating their condition through temporary shelter in social units (nurseries, old age support centres and transit centres).

When compared to its sister program, PAUS has been receiving higher and more consistent budget allocations. In absolute terms, Figure 28 shows an increase in resources between 2019 and 2021, stabilising in nominal terms (but reducing in real terms) in the 2022 ESSP. As can be seen in Figure 29, here again, the Government of Mozambique is the only contributor to the budget of this programme.

The PAUS program had, in 2021, a little over 7,200 beneficiaries registered, again with very low and uneven coverage, as Figure 26 shows. The lowest levels of coverage are found in the provinces of Inhambane (0.02%), Nampula, and Zambezia (0.03%), well below the coverage rates of Gaza province (0.15%) and Maputo City (0.49%).

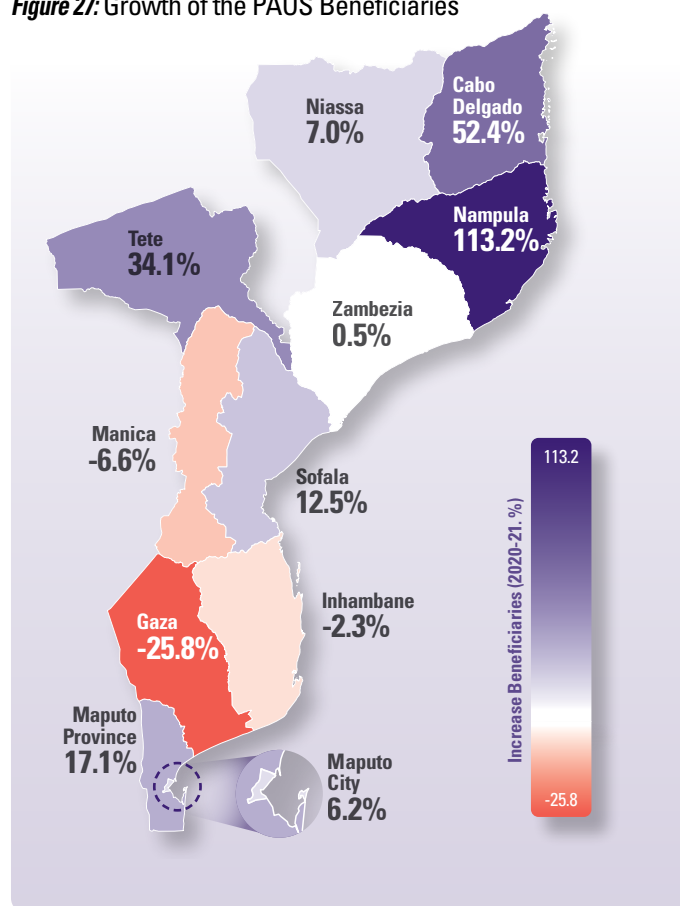
Finally, as shown in Figure 27, unequal dynamics are again observed in the number of beneficiaries in each province between 2020 and 2021. The most significant increases are observed in the provinces of Nampula (+113.2%), Cabo Delgado (+52.4%) and Tete (+34.1%), while there is a very significant reduction of beneficiaries enrolled in the province of Gaza (-25.8%).

**Figure 26:** Coverage Rate of PAUS



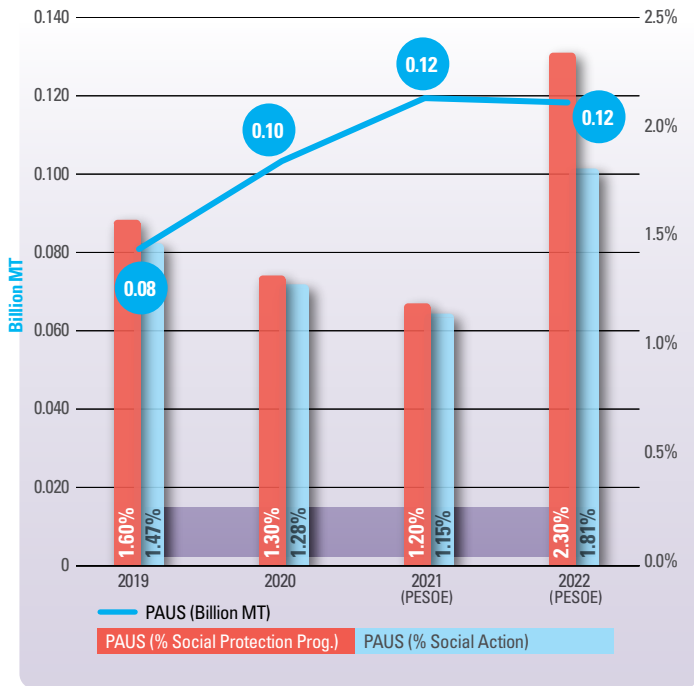
Source: calculations based on BdPESOE 2021 and MEF(2016)

**Figure 27:** Growth of the PAUS Beneficiaries



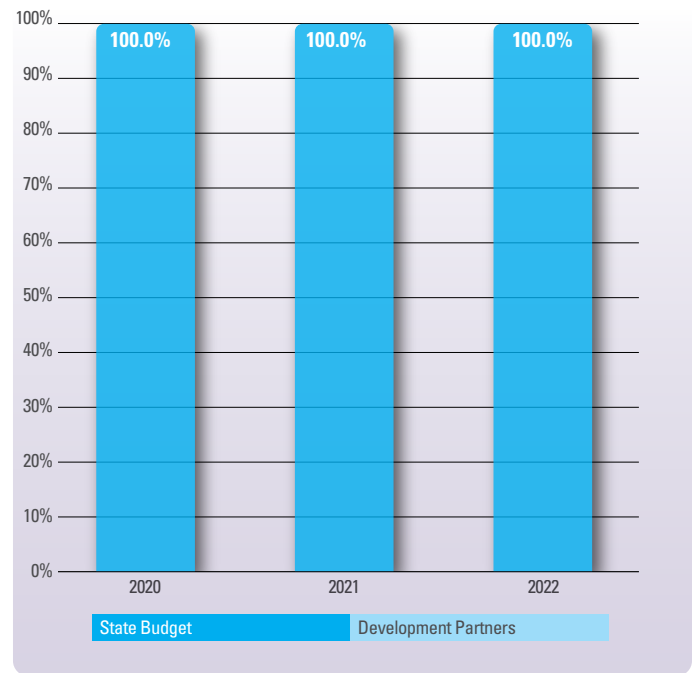
Source: calculations based on BdPESOE 2021

**Figure 28: PAUS's Expenditures**



Source: CGE and REO 2008-2020, PESOE 2021-2022

**Figure 29: PAUS's funding**



Source: CGE and REO 2008-2020, PESOE 2021-2022

## 4.6 Current Expenditure and Investment

The challenges of delivering social welfare services require, in addition to extending coverage to the most vulnerable and needy, a human, capital and know-how infrastructure that is also in a process of controlled expansion. Furthermore, the frequent experience of climate emergencies and the spectre of a new, always possible, pandemic crisis make evident the need for flexible and responsive recurrent spending and investment capacity to make this possible.

The analysis of recurrent expenditure from 2015 to 2022, presented in Figure 32, suggests growth largely linked to increased expenditure on social transfers (PSSB, PASD and PASP) and less on increases in support expenditure. In fact, a very low investment is observed, both in absolute and relative terms, since 2016.

The same situation can be observed in Figure 33, In fact, the levels of capital investment in social action, after reaching 0,15 billion meticaais in 2015, have remained below one third of that amount over the last seven years. At the same time, there has been an increase in recurrent expenditure until 2021 and in 2022; this expenditure is close to double the amount presented in 2015, If this situation continues, there is concern that the installed capacity for Social Welfare is increasingly insufficient for the growing demands.

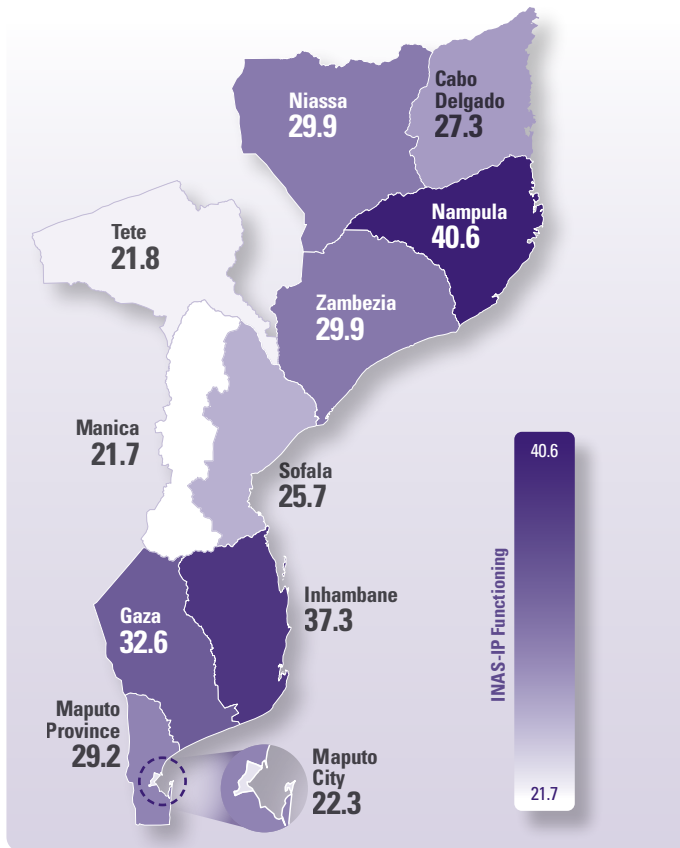
A word is also due to the apparent inequality in allocation of resources to social action infrastructure across provinces. While there is a rationale, at the level of the vulnerable population in need of social action, for greater expenditure in Nampula province, as Figure 30 indicates, the same rationale would advocate for more resources in Zambezia province and perhaps even in Niassa, Cabo Delgado and Sofala provinces (even if with lower levels of need).



There is concern that the installed capacity for Social Action is increasingly insufficient for the growing demands.

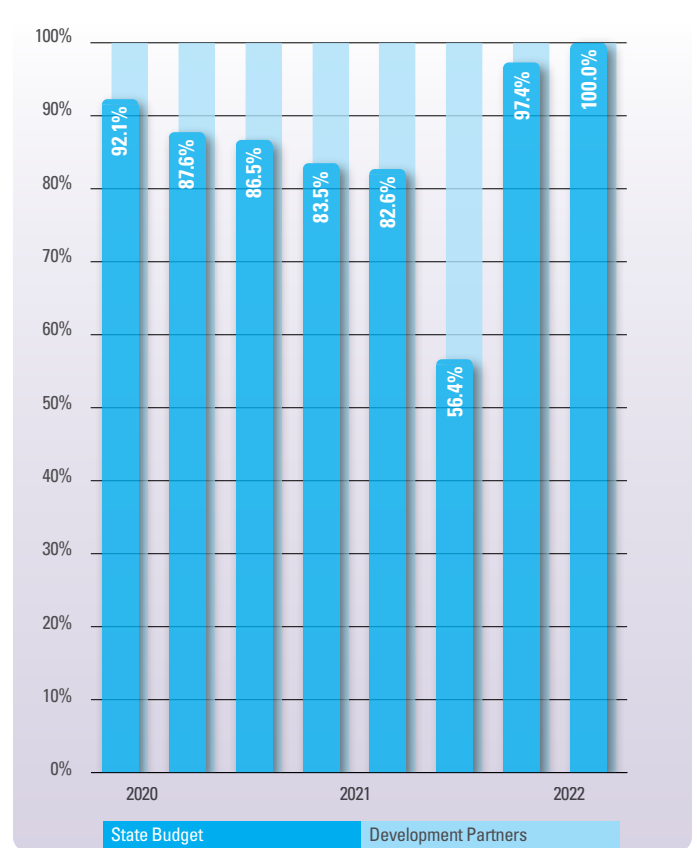


**Figure 30: INAS operational expenditures (Million MT)**



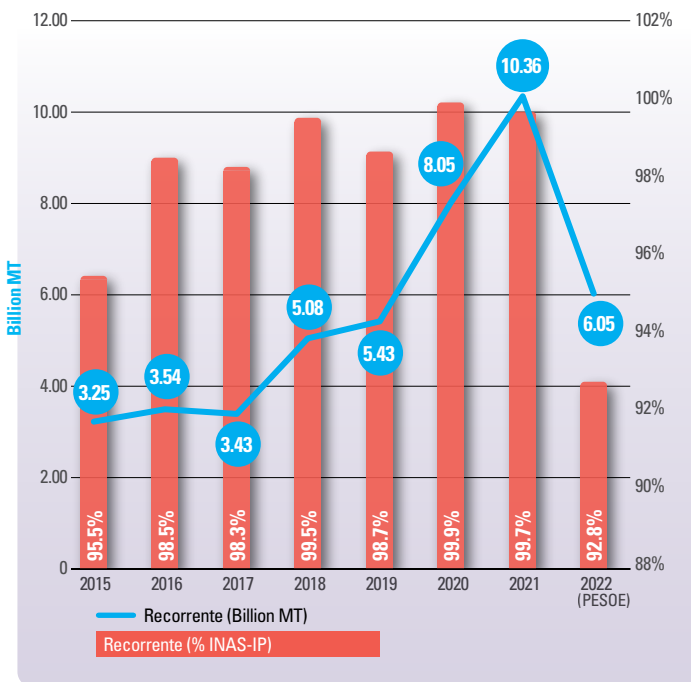
Source: CGE and REO 2008-2020, PESOE 2021-2022

**Figure 31: Current Expenditures and Investment funding**



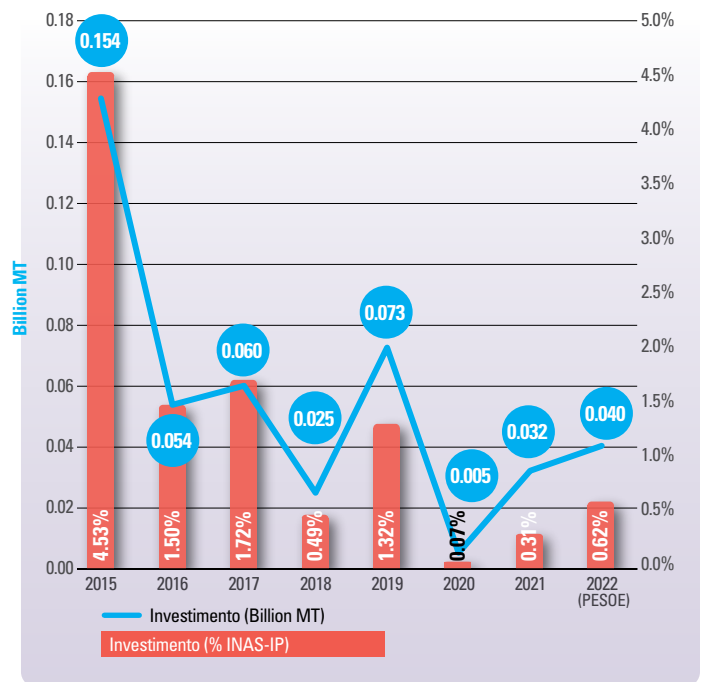
Source: CGE and REO 2008-2020, PESOE 2021-2022

**Figure 32: Current Expenditures**



Source: CGE and REO 2008-2020, PESOE 2021-2022

**Figure 33: Investment**



Source: CGE and REO 2008-2020, PESOE 2021-2022





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