IMF and the Social Protection System in Mozambique

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Outline of the Presentation

- Why social protection systems are important for the IMF?
- UN-ILO/IMF: Partnership towards the establishment of a minimum social protection system in Mozambique
- What is Fiscal Space?
- What is the Fiscal Space for the social protection systems in Mozambique?
IMF and Social Protection Systems

Social Protection Systems are important because they:

- Act as automatic stabilizers to cushion external shocks: they minimize economic fluctuations.

- Promote labor productivity gains leading to a more inclusive growth.

- Consolidate social and stability and peace which are essential to attract private investments and achieve a sustainable economic growth.
Minimum Social Protection Systems in Mozambique

- Initiative established at the ILO and IMF management level to ensure a minimum level of social protection in low-income countries.

- Mozambique has been chosen as one of the pilot countries.

- Pilot exercise consists of
  - An IMF assessment of the fiscal space
  - A World Bank’s assessment of the effectiveness of the existing social protection programs
  - A budgeting of the programs undertaken by ILO
  - A simulation of the impact of the several options on poverty eradication undertaken by UNICEF
Fiscal Space

Definition:
Availability of budgetary resources that enables government to provide resources to a desired end without jeopardizing its financial sustainability or private sector’s investment capacity.

What creates the Fiscal Space
- Increase of revenue
- Reduction or removal of non-priority spending
- Aid and government borrowing (external and domestic)

How the fiscal space is determined?
- Debt sustainability analysis
- Medium-term fiscal scenario
Based on the most recent macroeconomic and fiscal projections, under the assumption of total removal of the fuel subsidy and of continued revenue gains:

Additional Fiscal space for 2011-12 at around 0.6-0.8 percent of GDP implying that between 1 to 1.5 percent of GDP could be allocated for social protection programs.

Fiscal space for 2011 includes the announced mitigation measures: food vouchers (cesta básica) and transport passes.
Thank you!