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MOZAMBIQUE

SOCIAL ACTION BUDGET BRIEF

2021

Key Findings

The 2021 budget for social protection is worth MZN 10.1 billion. This represents a 50 percent nominal increase relative to the 2020 initial allocation (i.e. the first allocation approved by Parliament in 2020) before the onset of the COVID-19 pandemic. However, it represents a 2 percent nominal decrease relative to revised allocation (i.e. the allocation that was revised by Parliament in November 2020 in response to COVID-19), a 4 percent nominal decrease relative to updated allocation (i.e. funds that arrive at the disposal of social protection institutions), and a 26 percent nominal increase relative to the actual expenditure in 2020 (i.e. funds that were spent at the end of budget year) (see Glossary of budget terminology). It is important to highlight that 2020 revised allocation to the sector was exceptionally high as a result of financial support provided by international finance institutions and development partners to implement the sector's response plan to COVID-19. While part of these funds appeared in the 2020 budget revision, they are de facto being executed in 2021 (i.e. when the actual transfers to beneficiaries of the Direct Social Support Programme - Post Emergency (PASD-PE) are taking place).

Although the allocations to social protection as a share of GDP tripled over the past decade – showing great political commitment to the sector – the Government of Mozambique (GoM) needs to further increase fiscal space dedicated to basic (non-contributory) social protection programs to meet its strategic objectives. In order to reach the goal of the National Basic Social Security Strategy (ENSSB II) of allocating at least 2.23 percent of GDP to social protection programs by 2024, the Government of Mozambique needs to significantly increase fiscal space dedicated to the sector in 2022 and 2023, needing to scale up from the current 0.94 percent of GDP to 2.23 percent GDP in 2024.

The Basic Social Subsidy Programme (PSSB) remains the social protection program with the largest budget, followed by the Productive Social Action Programme (PASP) and the Direct Social Support Programme (PASD) respectively. In the State Budget for 2021, the PSSB was allocated MZN 3.6 billion, which is the same nominal allocation as in 2020, but represents a smaller share of programs of the National Institute of Social Action (INAS) as compared to last year. In fact, while PSSB accounted for 64 percent of the budget of INAS' programs in 2020, it is worth 38 percent this year due to the overall budget expansion of total INAS' programs and the activation of PASD-PE in response to the pandemic.

INAS's social protection programs are targeting 1,772,708 beneficiary households in the Economic and Social Plan (PES) for 2021. The number of beneficiary households covered by social protection programs significantly increased as compared to previous years in response to the need of assisting existing and new poor and vulnerable households severely affected by the COVID-19 pandemic.

The PSSB 2021 budget shows a significant improvement in terms of equity in allocation, when compared to previous years, although Zambezia is still underfunded in relation to other provinces. In fact, despite concentrating 23 percent of the poor households in Mozambique, Zambezia only received 12 percent of the PSSB budget. Considering that the ENSSB and its social protection programs implemented by INAS are of national coverage, all Mozambican citizens are entitled to benefit from these programs if meeting the programs requirements. Hence, Zambezia budget must be increased by approximately 8-10 percentage points to meet the equity criteria in the distribution of PSSB resources.

It is important to highlight that 2020 revised allocation to the sector was exceptionally high as a result of financial support provided by International Finance Institutions and development partners

The Government of Mozambique needs to significantly increase fiscal space dedicated to the sector in 2022 and 2023, in order to achieve the ENSSB's goal of allocating at least 2.23 percent of GDP to social protection programs by 2024

INAS Social Protection programs are targeting 1,772,708 beneficiary households in the Economic and Social Plan (PES) for 2021

1 Social protection in the context of multiple crises in Mozambique

Mozambicans are facing a situation of multiple crises due to armed conflict, recurrent natural disasters, and the COVID-19 pandemic. The armed conflict in the northern Cabo Delgado province while another conflict in Central provinces is still unresolved, with sporadic attacks that disrupt economic activities. Natural disasters have been severely hitting the country for many years the country leading to a persistent situation of emergency with Idai and Kenneth cyclones in 2019, devastating storms including Chalane at the end of 2020, and the most recent cyclone Eloise in March this year. At the time of writing, over 700,000 people are displaced as a result of armed violence in central and mostly northern provinces (Cabo Delgado, Nampula, Sofala, Niassa and Zambezia)[1]; UNHCR estimates that internally displaced people (IDPs) could reach 1 million by June 2021.[2] The COVID-19 pandemic and the related economic slowdown represents an additional challenge for the Mozambican population that is already affected by high levels of vulnerability and multi-dimensional poverty.

The Mozambican economy was hit by COVID-19 when it was starting a recovery after the 2018 debt crisis and 2019 cyclones. As a result of the pandemic, it contracted for the first time in almost three decades. Real GDP contracted by 1.3 percent in 2020 due to disruption of supply chains linked to restrictive measures, decreases in both external and internal demand, and delayed investments in the liquified natural gas industry.[3] In addition, COVID-19-related expenditure coupled with low tax revenues are adding stress to the already challenging fiscal context. Debt-to-GDP is surging as a result of falling GDP and depreciation of the metical of about 10 percent against the dollar last year.

As vulnerability, poverty and inequality are exacerbated in the context of the ongoing crises, expanding the budget for social protection and scaling up non-contributory social protection programs is key to providing effective response to address the income insecurity affecting the poor and newly poor. The World Bank estimated that approximately 850,000 people will fall under the internationally defined poverty line of $1.9 a day as a result of the pandemic in Mozambique.[4] Loss of employment and loss of income are heavily affecting households, particularly those engaged in the informal sector in urban areas. Food insecurity and malnourishment are also on the rise, with severe consequences for children, especially 0-5 years old who are at heightened risk of stunting. It is estimated that 10 million out of 14 million Mozambican children lived either in monetary poverty[5] or in multidimensional poverty before the pandemic.[6] These numbers are most likely to have steeply risen as overall households' poverty is increasing,[7] and children represent more than half of the Mozambican population. The social protection sector needs to be further expanded and strengthened to ensure that social protection programs reach out to and assist poor and vulnerable populations most affected by the crises.

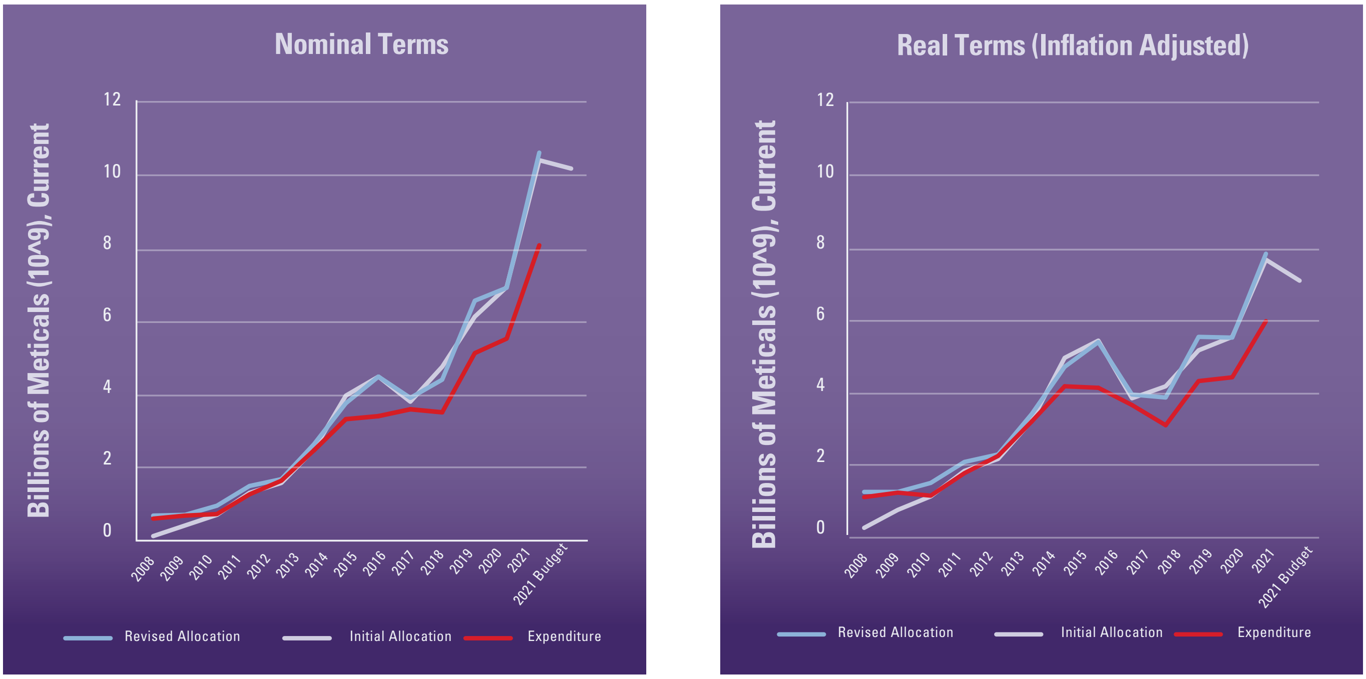
1. United Nations. 2021. Mozambique: Cabo Delgado displacement could reach 1 million, UN officials warn, available at https://news.un.org/en/story/2021/03/1087952
2. Ibid.
3. "World Bank. 2021. Mozambique Economic Update, February 2021 : Setting the Stage for Recovery. Washington, DC: World Bank. © World Bank. https://openknowledge.worldbank.org/handle/10986/35214 License: CC BY 3.0 IGO."
4. Ibid.
5. Nationally-defined poverty line.
6. IOF 2014/15
7. Exact numbers of poor children will be available only after the Fifth National Poverty Assessment.

2 Trends in Social Action Spending

In 2021, the State Budget for the social action sector, which is managed by the Ministry of Gender, Children and Social Action (MGCAS) and the National Institute of Social Action (INAS),[11] amounts to MZN 10.1 billion. In nominal terms, the allocation to social action in 2021 increased by 50 percent as compared to that of the initial State Budget for 2020, which had been approved in December 2019 before the onset of the COVID-19 pandemic. Nevertheless, for comparison purposes, this section is based on the revision of the 2020 State Budget approved with Law n.º 11/2020 of 24 November 2020 in response to the pandemic. Compared to 2020 Revised State Budget, the 2021 allocation to social action represents a 2 percent nominal decrease relative to the revised allocation, a 4 percent nominal decrease relative to the updated allocation, and a 26 percent increase relative to expenditure (see Glossary of budget terminology). In real terms (i.e. inflation-adjusted)[12], the initial allocation for social action 2021 represents an 8 percent decrease relative to that of the 2020 Revised State Budget, a 10 percent decrease relative to the 2020 updated allocation, and a 19 percent increase relative the actual expenditure in 2020. (see Figure 1A & B). It is important to highlight that the revised 2020 State Budget was exceptionally and unusually high as a result of financial support provided by International finance institutions and development partners to implement the sector's response plan to COVID-19[13]. While part of these funds appeared in the 2020 budget revision, they are de facto being executed in 2021. (i.e. when the actual transfers to PASD-PE beneficiaries are taking place). Initial allocations and actual expenditures in the social action sector have been persistently diverging due to a decreasing execution rate in recent years (see subsection 5.1 on Budget Execution). Hence, depending on how the sector will perform this year, initial allocation may align or not with actual spending in the sector by the end of 2021.

The sector's share of the total State Budget in 2021 is more than triple than in 2010. The remarkable increase in the

Figure 1 A & B: *Social Protection Sector budgeting and expenditure*



Source: *Author's calculations from the CGE 2008-2019, REO 2020, LOE 2021. World Bank, World Development Indicators: Consumer Price Index (2010 = 100).*
Note: *While years 2008-2020 display expenditure figures, 2021 is the initial budget allocation.*

11. This brief focuses on budget and expenditure of UGB 62 in Government Budget, excluding Servicos Provinciais de Assuntos Sociais.
12. Consumer Price Index (CPI), base year 2016. World Bank Group, World Development Indicators.
13. MGCAS, Plano De Resposta À Covid-19 Em Moçambique, Protecção Social; 2020. ILO, Reaching The Most Vulnerable In The Social Protection Response To The Covid-19 Crises In Mozambique: Opportunities And Challenges, 2020.

sector's percentage share of total government spending in 2020 and 2021 is explained by the necessary prioritization of social protection in response to the adverse consequences of COVID-19 on the poorest and most vulnerable populations in Mozambique (See Box 1). This increase shows political will and increased conviction within the Government of Mozambique that social +rotection is a valuable instrument to overcome the crisis and assist vulnerable households by supporting their income, strengthen social cohesion and promote capital development.

Despite a current expansion of the social protection sector in response to increased vulnerabilities, spending as a share of the GDP is off pace to reaching budgetary targets set by the ENSSB (see Figure 2). The budget for social action for 2021 represents 0.94 percent of the country's forecasted GDP. While this is an increase compared to the 0.8 percent share in 2020, and even more so relative to the average 0.5 percent share in previous years, it is still far from what is desirable to reach 2024 targets. In the **National Basic Social Security Strategy for 2016-2024,**[14] the Government set the strategic objective of allocating 2.23 percent of GDP to social action by the 2024. The fact that the country is still far from reaching 2024 goal is of concern, even more so considering the additional risks to poverty and vulnerability stemming from the severe negative socioeconomic impacts of the pandemic. In the coming years, the Government should scale up its efforts to progressively increase the share of GDP allocated to Social Protection. For example, as it allocated 0.94 percent of GDP to the sector this year, it could aim to reach 1.3 percent in 2022, 1.6 percent in 2023, and at least 2 percent in 2024.

***Figure 2:** 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, REO 2020, LOE 2021.*
***Note:** The 2021 shares are initial budget allocations while the 2008-2020 shares are expenditure.*

14. 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.

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Box 1: Social Protection Response to COVID-19[8]

- The Social Protection COVID-19 Response Plan[9] approved by the Government of Mozambique consist of 3 months top-ups for all existing beneficiaries channeled through the programs they are enrolled in (i.e. PSSB, PASP or PASD), and 6 months of emergency cash transfers channeled through PASD-PE "COVID-19"[10] program to 1,102,825 new beneficiary households identified in urban, peri-urban and border areas.

- The response plan is worth approximately MZN 2.4 billion, or 23 percent of the Social Action budget in 2021, and it is entirely funded through external resources.

8. MGCAS. 2020. Plano De Resposta à Covid-19 em Moçambique. Available at https://www.social-protection.org/gimi/RessourcePDF.action?id=56961; ILO. 2020. Reaching the Most Vulnerable in the Social Protection Response to the COVID-19 crisis in Mozambique: Opportunities and Challenges, 2020. Available at https://www.social-protection.org/gimi/RessourcePDF.action?id=57176
9. The Technical Advisory Group for COVID-19 Response supporting the Social Protection COVID-19 Plan was put in place in March 2020. It includes partners that provide large amount of funding to the social protection sector such as the FCDO, the Swedish Embassy and the World Bank, as well as partners that supply technical assistance such as the ILO, UNICEF, the World Bank and WFP.
10. PASD-PE is a post emergency cash transfer program envisaged in the ENSSB as the program to be used in the aftermath of an emergency (flooding, drought, cyclone, COVID-19) to provide affected households with emergency cash transfer for 6 months to cope with the negative effects of the crisis. This program was already designed, approved in ENSSB 2016-2024 and was activated for Idai and Kenneth in 2019 and for COVID-19 response in 2020/2021. It is a systematic approach, not an ad-hoc program.

3 Source of Social Protection Financing

The social action sector in Mozambique is financed with internal (domestic) and external (foreign) resources. Internal resources are derived from taxes, tariffs, duties, and internal credits. 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 are applied through a variety of modalities including: (i) direct government support with government-only or joint partner-government implementation, often "On-Budget, On-CUT[15]"; (ii) partner or third-party implementation, often "On-Budget, Off-CUT[16]"; or (iii) partner or third-party implementation, but "Off-Budget"; (iv) Multi--Donor Trust Fund (MDTF) by the World Bank as trustee and funded by FCDO[17], Netherlands and Sweden.

Between 2008 and 2021, domestic funding to the social action sector steadily increased both in nominal and real terms, signaling the Government's commitment to expanding and strengthening social protection (see Figure 3A). In nominal terms, internal funding to social action increased from MZN 0.37 billion in 2008 to MZN 4.9 billion in 2021 Budget, or by over 1,200 percent. In real terms, it increased by approximately 430 percent during the same time period. Compared to the 2020 revised budget, this year's domestic contribution to the sector is 9 percent larger in nominal terms and 3 percent larger in real terms. This is a key development as it shows political and fiscal commitment of the Government in sustainably funding non-contributory social protection programs through internal resources.

Between 2008 and 2021, domestic funding to the social action sector steadily increased both in nominal and real terms, signaling the Government's commitment to expanding and strengthening social protection

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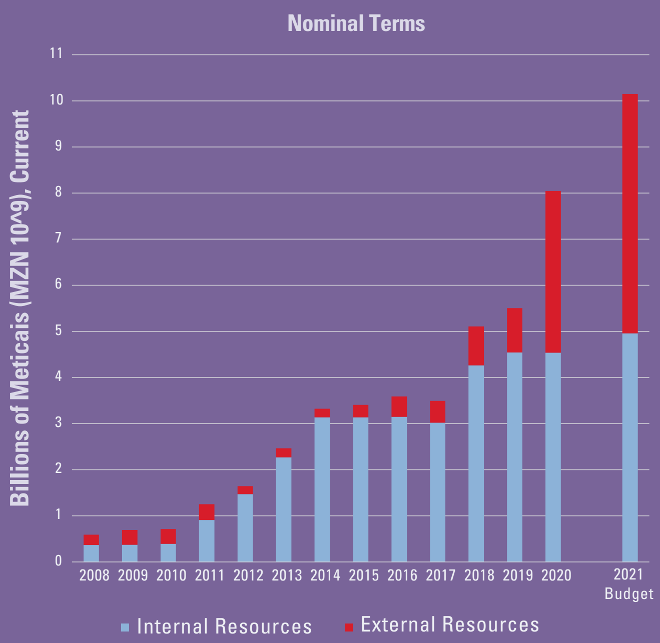
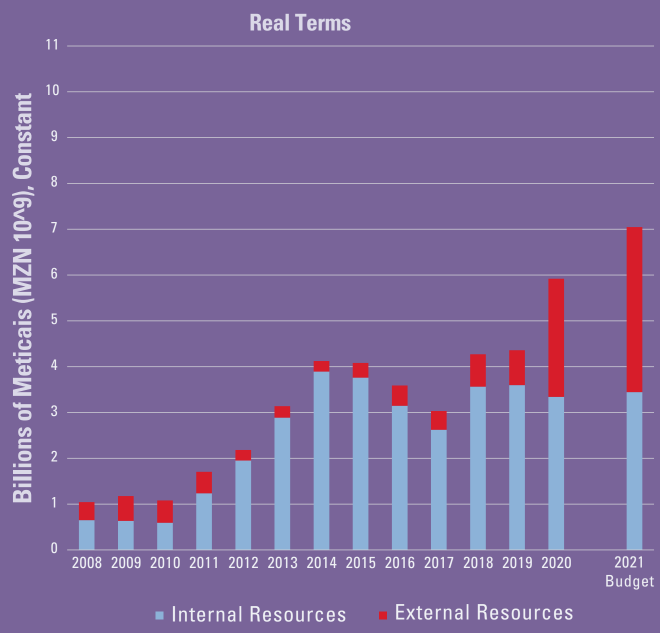
15. On Single Treasury Account: The donor is giving the money through the Ministry of Finance Bank account.
16. Off Single Treasury Account: The donor is implementing the project directly without channeling the money through the Ministry of Finance bank account.
17. Foreign Commonwealth Development Office, former DFID.

Figure 3 A & B: **Provision of internal versus external resources**





Source: *Author's calculations from the CGE 2008-2019, REO 2020, LOE 2021.*
Note: *The 2021 shares are initial budget allocations while the 2008-2020 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.*

The ratio of internal to external resources to Social Action has dropped since 2020 (see Figure 3B), as donors increased their sector contribution in order to support a budgetary and coverage expansion in response to both Idai and Kenneth cyclones and the COVID-19 pandemic. In 2018 and 2019, 83 percent of the sector's budget was financed through domestic resources, while 17 percent was financed through foreign resources. In contrast, the ratio stood at 56 percent internal to 44 percent external in 2020. This year the social action budget relies on 49 percent of internal funding and 51 percent of external funding as a result of the exceptionally high external contribution to the sector to support Mozambique's Social Protection Response Plan to COVID-19.

Donors[18] are contributing MZN 5.2 billion to social action, of which MZN 2.4 billion (equal to 53 percent of external resources) are dedicated to the COVID-19 response, mostly through PASD-PE "COVID-19" programme.

The second largest external contribution to the sector is to the PASP program (MZN 2.05 billion), a credit from the World Bank Group that the Mozambican Government will have to pay back together with the corresponding interest. The PSSB subcomponent targeting 0-2 years old (i.e. Child Grant) in 2021 is entirely funded through donors with a contribution of MZN 165 million across four INAS delegations in Nampula province (Angoche, Nacala Porto, Ribaue and Nampula) and 2 INAS delegations in Zambezia Province (Zambezia and Mocuba). Other programs funded through foreign resources include the Inclusive Public Works program (MZN 115 million).

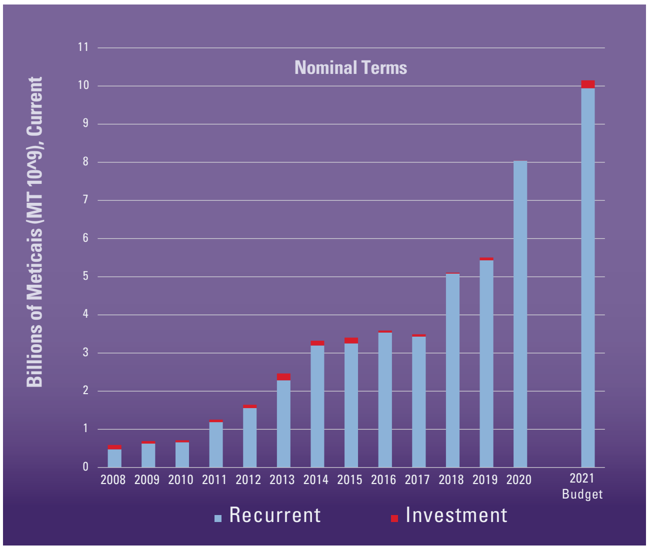
18. Donors' support to non-contributory social protection programmes is organized through: (i) the Joint United Nations Program for Social Protection, financed by the FCDO, Swedish Embassy and the Queen of the Netherlands and implemented by ILO and UNICEF; (ii) MDTF financed by World Bank, FDCO and Sweden, and implemented by the World Bank.

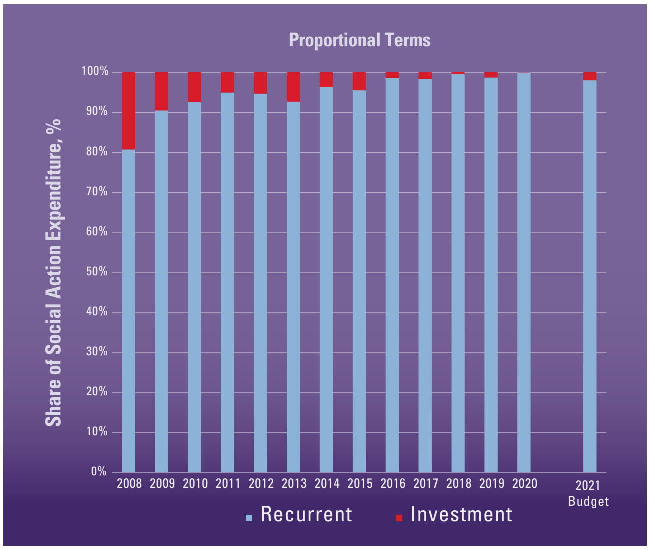
4 Composition of Social Action Spending[19]

4.1 Spending by Economic Classification

Investment to the sector significantly increased in the budget for 2021 relative to previous years. However, recurrent spending still dominates the social action sector and is almost entirely dedicated to funding social protection programs (cash transfers to beneficiaries) (see Figure 4A &B). In nominal terms, recurrent spending in the 2021 budget is worth MZN 9.9 billion while investment amounts to MZN 0.2 billion. Expenditure with investment steeply increased from MZN 0.01 billion in 2020 to MZN 0.2 billion budgeted in 2021. The investment budget for 2021 is mostly dedicated to the rehabilitation of Social Units in Maputo Province (MZN 200 million), while smaller investments include the rehabilitation of MGCAS' Provincial Directorate of Manica and "Infantarios" in Gaza, worth MZN 2 million respectively. The recurrent-to-investment ratio for social action stood at 99.9 percent to 0.1 percent in 2020 revised budget; this is explained by the sudden and large increase in recurrent spending dedicated to newly activated emergency social protection program (i.e. PASD-PE) in response to COVID-19 in the State Budget Revision. The recurrent-to-investment ratio stands at 98 to 2 percent in 2021 sector's budget, which brought it on par with 2018 and 2019 ratios (see Figure 4B). Over the years, recurrent spending has been growing to accommodate increases in funding to social protection programs but have not been accompanied with increases in investment levels, with implications on the sector's overall performance. While the investment increase in 2021 is a positive sign to ensure improved efficiency, it will be important that investment continue to grow to keep up with the sector's expansion, and INAS is provided with sufficient resources (human, transportation, etc.) to implement its mandate. It shall be noted that INAS just have 31 delegations across the country, each of them covering on average five districts, which is clearly not enough to reach beneficiaries in an efficient manner. In the short run, INAS' delegations should be expanded to all districts, in order to get services closer to the population, as the country has embarked on a structured decentralization process. ILO and UNICEF are planning to support INAS with a Joint Capacity Assessment that is expected to start in late 2021 or early 2022, which aims at identifying needs and capacity gaps to be addressed during the period 2022-2024.

Figure 4 A & B: Recurrent versus investment resources





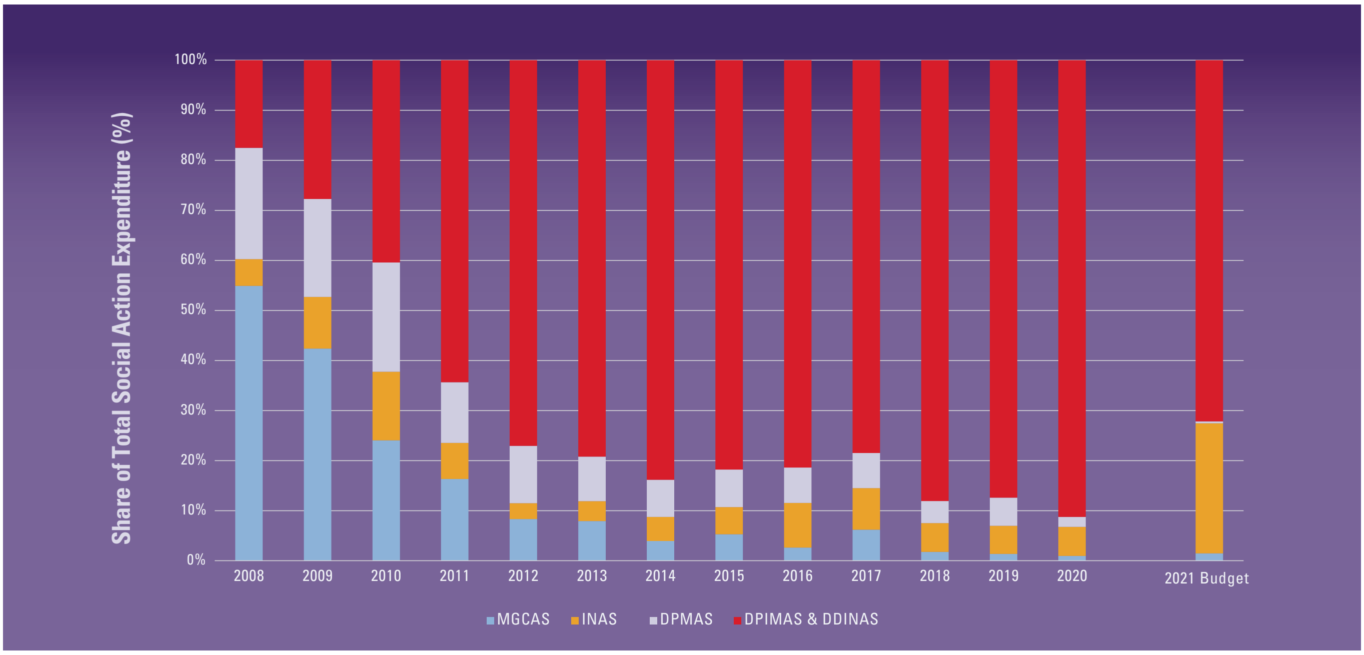
Source: Author's calculations from the CGE 2008-2019, REO 2020, LOE 2021.
Note: The 2021 shares are initial budget allocations while the 2008-2020 shares are expenditure.

19. The Ministry of Economy and Finance releases initial funds (dotação inicial) via the CUT (Single Treasury Account) to each autonomous budget-holding social action institution (e.g. INAS delegations) and subsequently updates the allocation based on available resources (dotação actualizada). 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).

4.2 Spending by Institution

Approximately 98 percent of the budget for social action in 2021 is allocated to INAS. Allocation to that institution increased from MZN 7.8 billion in 2020 to MZN 9.9 billion in 2021 in nominal terms. The allocation to INAS as a share of social action spending persistently increased over the years, from 54 percent in 2010 t 93 percent in 2019. With the onset of the pandemic, INAS's share of the budget for social action expanded even further, reaching 97 percent in 2020 (revised budget) and 98 percent in 2021. Out of the total allocation to INAS in 2021, MZN 7.3 billion (or 72 percent of the budget for social action) are directed to INAS' delegations (i.e DPINAS and DDINAS),[20] which are responsible for the implementation of social protection programs (PSSB, PASD, PASD-PE, PASP and PAUS). The allocation to MGCAS amounts to MZN 0.18 billion (2 percent of the budget for social action), of which just MZN 0.03 billion is allocated to MGCAS's Provincial Directorates.

Figure 5: Resource shares by institution



Source: Author's calculations from the CGE 2008-2019, REO 2020, LOE 2021.
Note: The 2021 shares are initial budget allocations while the 2008-2020 shares are expenditure.

4.3 Spending by social protection programs

In 2021, the allocation to social protection programs is the largest ever, amounting to MZN 9.4 billion (see Box 2). This represents 93 percent of the budget for the social action sector, 2.6 percent of the total State Budget, and 0.9 percent of GDP (see Figure 7).

Over the past five years, the nominal allocation to social protection programs tripled from MZN 3 billion in 2016 to over MZN 9 billion in 2021. As a share of State Budget, the allocation to social protection programs doubled from 1.25 percent in 2016 to 2.6 percent this year; and as a share of GDP it more than doubled from 0.4 percent in 2016 to 0.9 percent this year. Nevertheless, it is important to highlight that social protection programs in 2021 include emergency response to the COVID-19 pandemic. When subtracting COVID-19 response allocations, the 2021 allocation to "regular" social protection programs amounts to MZN 7 billion, which does still represent an increase relative to pre-pandemic budgets, but to a lesser extent. More specifically, the 2021 budget dedicated to social protection programs – including the response to COVID-19 - is 65 percent larger than before the pandemic; however, when excluding the response to COVID-19 response, it is approximately 25 percent larger than pre-pandemic spending.

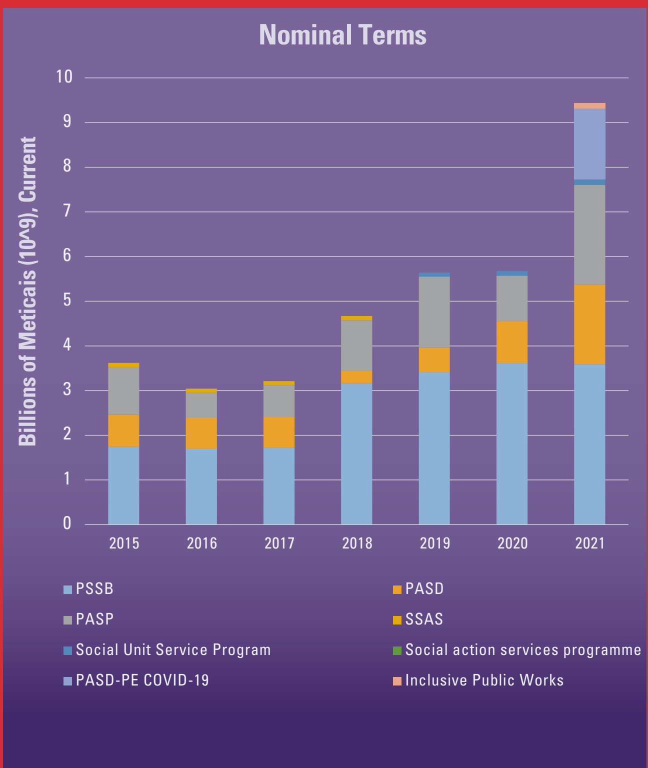
20. There are 30 INAS delegations, each covering five districts on average. This poses logistical challenges and constraints (e.g. long distances to be covered to pay transfers, etc.)
21. In nominal terms.

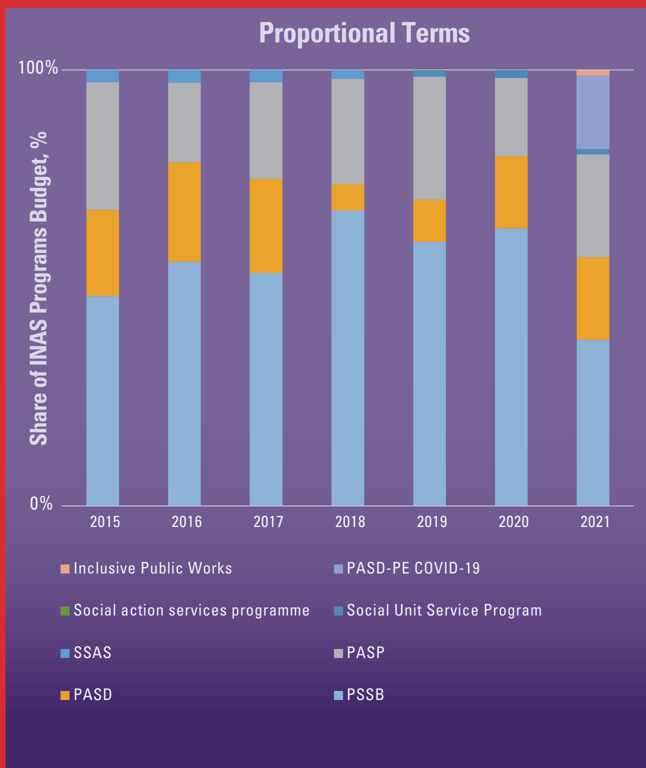
BOX 1: Description of social protection programs

Program	Installment (Social Transfers)	Target Group (Situation)	Objective
Basic Social Support Program	For the elderly	Seniors = 60+	• Compensate for disability • Strengthen consumption and resilience
	By functional disability	Disability and chronic diseases (children and adults up to 59 years)	
	For children	Children (0 - 2 years)	• Prevent malnutrition
	For children head of households	Children (14 - 18 years)	• Develop human capital • Strengthen consumption and resilience
	For children in poor and vulnerable households	OVC in poor and vulnerable families	• Strengthen consumption and resilience • Develop human capital
Direct Social Support Program	Multiform support	Persons with temporary loss of assets	• Strengthen consumption and resilience • Mitigate acute malnutrition • Mitigate the effects of disasters
Productive Social Action Programme	Public works	Poor and vulnerable people with ability to work	• Strengthen consumption and resilience to climate change in at-risk areas
	Support for Income Generation Initiatives		
Social Action Services Programme	Social Action Services	Communities and families	• Prevent social risks
	Institutional Care - Social Units	Destiture individuals	• Mitigate helpless through temporary reception

Source: *INAS PROGRAMAS DE ASSISTÊNCIA SOCIAL (DECRETO 47/2018 DE 6 DE AGOSTO)*

Figure 6 A & B: *Allocations to INAS Social Protection Programs*





Source: *Author's compilation from LOE 2015-2021 .*

Figure 7: INAS social protection programs as a share of GDP and Total State Budget

Source: *Author's calculations from the CGE 2008-2019, REO 2020, LOE 2021*

PSSB remains the social protection program with the largest budget, followed by PASP and PASD respectively. In the State Budget for 2021, the PSSB was allocated MZN 3.6 billion, which is the same nominal allocation as in 2020 but represents a smaller share of INAS' programs than last year. In fact, while PSSB accounted for 64 percent of the budget for INAS's programs in 2020, it is worth 38 percent this year due to the overall budget expansion of total INAS's programs and the activation of PASD-PE in response to the pandemic. The second largest program is PASP, which increased since last year both in nominal and proportional terms: it more than doubled from MZN 1 billion in 2020 to MZN 2.2 billion in 2021, and from a 18 percent share last year to 24 percent this year. The PASD program allocation also grew from MZN 0.9 billion (or a 17 percent share) last year to MZN 1.8 billion (or a 19 percent share) this year. It is important to note that the allocation to the PASD program this year includes funds for emergency response under the PASD Post-Emergency COVID-19, which amounts to MZN 0.8 billion. Allocation to PASD also includes approximately MZN 0.4 billion that are directed towards PASD-PE Idai and Kenneth, which was designed as a response to the effects of these cyclones on populations from northern provinces of Mozambique in 2019. The allocation to PAUS[22] amounts to MZN 0.1 billion, which is the same as last year's. As explained earlier, the Social Protection COVID-19 response plan consists of three months top-ups for existing beneficiaries channeled through the programs they are enrolled in (i.e. PSSB, PASP or PASD), and six months of transfers channeled through the PASD-PE COVD-19 program to new beneficiaries identified in urban, peri-urban and border areas.

Social protection programs administered by INAS are covering 1,772,708 beneficiary households in the framework of the Economic and Social Plan for 2021 (see Figure 8). The number of beneficiary households covered significantly increased relative to previous years in response to the need of assisting existing and new poor and vulnerable households severely affected by the COVID-19 pandemic. More specifically, the number of PSSB beneficiaries increased by 3.15 percent, from 445,085 in 2020 to 459,085 in 2021. Beneficiaries enrolled in the PASD program increased by over 3000 percent, from 32,938 in 2020 to 1,162,579 in 2021, which includes 1,102,825 new beneficiary households identified in

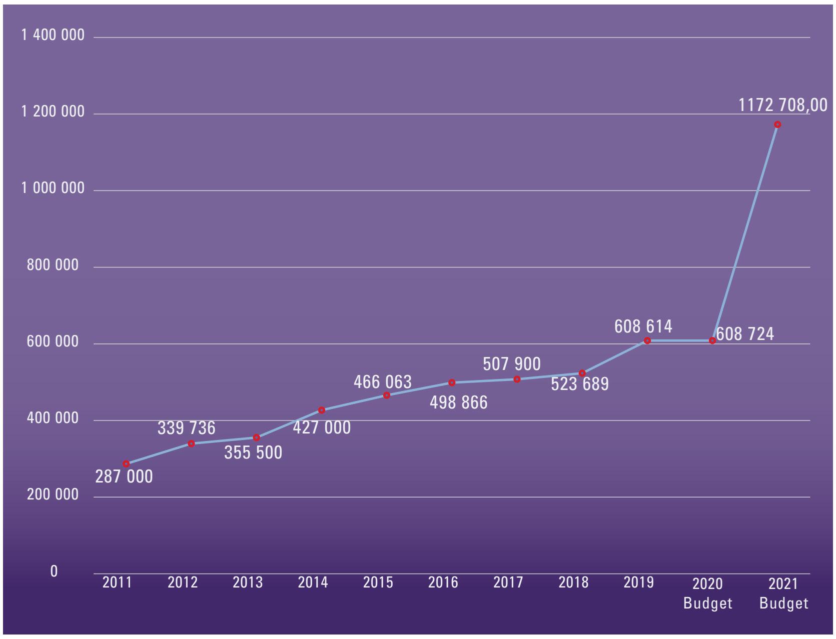
22. The PAUS has substituted the SSAS program after approval of Decree 47/2018.

urban, peri-urban and border areas under the PASD-PE COVID program[25]. Beneficiaries of the PAUS increased by 36 percent from 9,144 in 2020 to 12,460 in 2021. Finally, PASP beneficiaries also increased from 121,557 in 2020 to 138,584 in 2021.

The level of the benefits paid to existing beneficiaries remains the same as previous years based on the Decree n.59/2018 for the Revision of the Value of Social Assistance Programs Subsidies, approved on 6 August 2018, through which the Government had last updated the values of the benefits. Under PSSB, the monthly values for benefits are: (a) MZN 540 for one-person households; (b) MZN 640 for two-person households; (c) MZN 740 for three-person households; (d) MZN 840 for four-person households; (e) MZN 1,000 for five-persons households. Under PASP, the value of subsidy was updated in 2018 to MZN 1,050.

The value of the transfers should be revised annually and adjusted to inflation as recommended by the ENSSB, but this is not happening, and the last adjustment took place in 2018. If properly revised, in 2021, a one-person household should be receiving MZN 650 instead of the MZN 540 is actually receiving through PSSB. In addition, a MZN 650 amount per month would also be equivalent to two thirds of the poverty line adjusted to 2020, as recommended by ENSSB II.

Figure 8: *Beneficiary households of INAS social protection programs*



Source: *Author's compilation from the CGE 2008-2019, Balanco do PES 2017-2019, LOE 2020 and 2021.*

BOX 2: Child Grant

The Child Grant Program is a component of the PSSB focused specifically on children 0-2 years old living at risk of undernutrition in a situation of poverty and vulnerability. The program comprises of two main components: (i) the unconditional cash transfer of MZN 540 to the primary caregiver, and (ii) a nutrition support package and case management for the provision of community support and referrals to available child protection services.

In 2021, the child grant is benefitting about 15,500 beneficiary children across four districts in Nampula province: 7,930 in Nacala-a-Velha and Ilha de Moçambique, 3,070 in Mogincual and 4,500 in Lalaua. A total MZN 114 million is allocated to the program through UNICEF support from Sweden, Netherlands and the United Kingdom. Of which, 12 percent is for administrative costs as for the rest of PSSB program.

25. The new beneficiary households include 14,000 households that were in waiting list for Social Protection programs, 31,000 from the list of low-income self-employed workers registered with the National Institute of Social Security (INSS) of INSS, and 1,057,825 newly identified households.

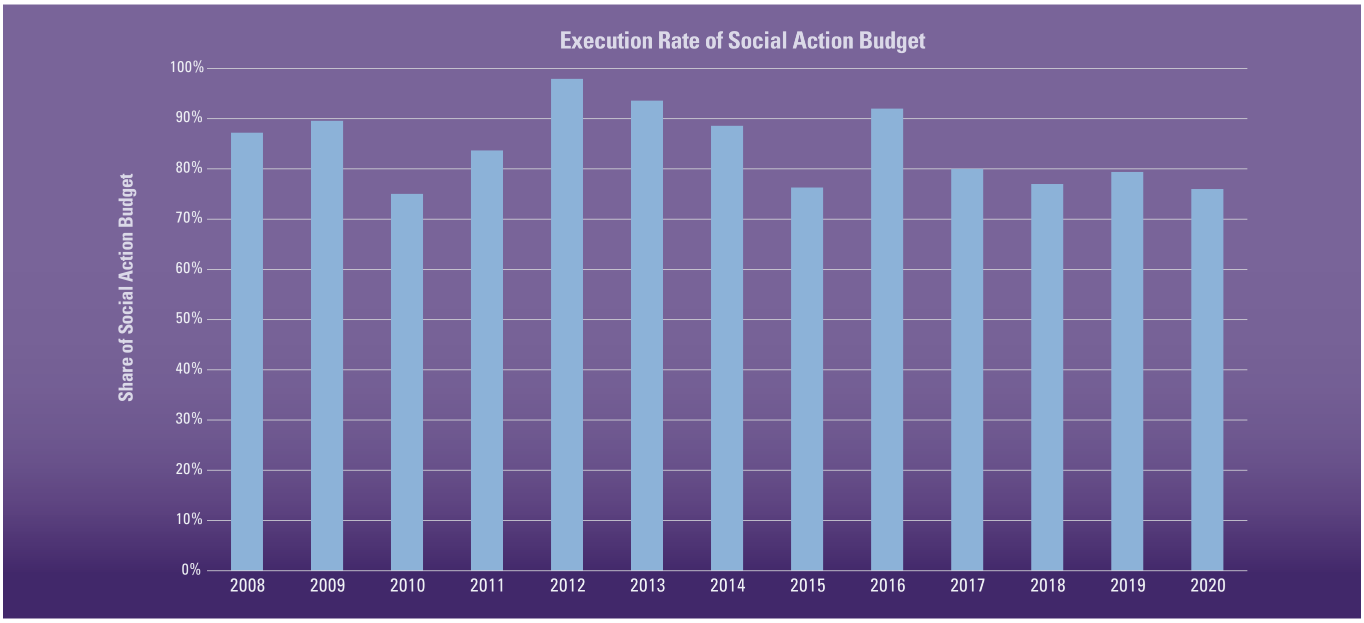
5 Performance of the social action sector

5.1 Budget Execution

The social action sector executed 76 percent of 2020 budget[26], the lowest ever execution rate recorded by the sector. The execution rate of 2020 budget was 3 percentage points below that of 2019, and 8 percentage points below the sector's average execution rate for the years between 2008 and 2020. Such a low execution rate in 2020 is due to the low execution of external resources. As the share of external funding to social action in Mozambique has increased over the past five years, the execution rate has progressively decreased. In fact, the execution rate of external resources have averaged 46.7 percent between 2016 and 2020, meaning that, on average, less than half of budgeted external funding was spent by the end of the respective budget year. In 2020, 58.5 percent of external resources were executed. Although this is higher than the average for the past five years, it is still too low to ensure adequate performance of the sector. On a different note, only 37.5 percent of budgeted internal investments for 2020 were actually spent, while 99 percent of internal investments were executed in 2019. This was related to delays in acquiring mobile phones for new beneficiaries enrolled in the PASD-PE "COVID-19" program. While internal investment is minimal in the sector (see paragraph 4.1) and their low execution does not contribute to dragging down overall execution rate, it is important to ensure full execution particularly in the context of emergency response. Recurrent domestic spending, on the other hand, was fully executed in 2020 such as in previous years.

Among the social protection programs, PASD and PAUS fully executed their budget for 2020. Conversely, the execution rates of PSSB, PASP and PASD-PE were dragged down due to the very low execution rates of their externally-funded components. Both PASD and PAUS – which in 2020 were entirely internally-funded – executed 100 percent of their respective budgets. The PSSB program – which was funded through domestic resources by 93 percent and funded by MDTF World Bank by 7 percent – had an aggregate execution rate of 95 percent. While the internal component was fully executed, the external one had a 28 percent execution rate. PASP, which was mostly funded by the World Bank at 95 percent of its budget and only 5 percent by internal resources, had an aggregate execution rate of just 30 percent, despite the fact that the internal component was fully executed.. PASD-PE (El Niño, Idai and Keneth), which was entirely funded by the World Bank, had an execution rate of 65 percent.

Figure 9: *Budget execution for the social action sector*



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

26. This refers to the Revised State Budget for 2020

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5.2 Effectiveness in achieving strategic objectives

In the Economic and Social Plan of 2021, the goal related to coverage of social protection programs is more than double than the respective Five Year Government Plan (PQG) goal set for 2024. The goal related to the percentage of people below poverty line benefitting from social protection programs increased from 22 percent in 2020 to 57 percent in 2021. The denominator is people below the poverty line as per the Fourth National Poverty Assessment and does not include the pool of households that fell into poverty as a result of the adverse effects of the pandemic. The upcoming new Household Survey (IOF) as well as the upcoming Fifth Poverty Assessment will shed light on the post-pandemic number of people below the poverty line. However, this coverage expansion is related to a short income support (six months) provided by a post-emergency cash transfer program (PASD-PE). Without enhanced fiscal space dedicated to basic, non-contributory social protection programs, those beneficiaries enrolled into PASD-PE will eventually "leave" the social protection system after those six months of benefit entitlement. Ideally, after the six months of emergency support, most of those beneficiaries should be enrolled into regular programs (PSSB, PASD, PASP) depending on their characteristics.

Figure 10: *PES' goals for the social action sector in 2021*

Indicators	Baseline 2019	2024 PQG Goal	2020 PES	Actual 2020 (1st Semester)	2021 PES
Percentage of victims of violence that accessed to integrated response services	10%	60%	20%	11%	22%
Percentage of children 0-5 covered by the net of early childhood education	2%	10%	3%	2%	2%
Percentage of people below the poverty line benefiting from social protection programmes	22%	28%	22%	17%	57% (1.772.708)

Fonte: *Plano Económico e Social de 2021, Página 56, Quadro 20 - Desenvolvimento do Capital Humano e Social.*

While the goal of PES in 2021 for social protection coverage is more than double that that of PQG for 2024, this is not the case for the goal set for allocations to social protection as a share of GDP. IIn fact, that goal is set at 2.23 percent of GDP by 2024 in PQG. However, social protection programs amounted to only 0.9 percent of GDP in 2021. The sector's funding should increase to ultimately ensure that the social protection system is funded enough to provide cash transfers to all households below the poverty line, with a monthly cash transfer of at least two thirds of the poverty line.

The social protection budget was only partially effective in reducing poverty and vulnerability of targeted beneficiaries in 2020 due to lack of predictability and timing of transfers. PSSB and PASP beneficiaries were all reached despite low execution rate of the respective budgets. It is important to highlight that there is a systematic delay on program delivery, especially for PSSB. Some of the 445,085 PSSB beneficiary households assisted in 2020 did not receive all 12 months of transfers due to insufficient funds. According to INAS, at the beginning of the 2020 fiscal year, the program still had to make payments from previous years. This situation of insufficient funds started in 2016 with the withdrawal of financing from DFID and the Dutch Embassy to the State Budget. As of March 2021, this is the concerning situation of PSSB beneficiaries: (i) 11,303 households have not received the equivalent of five months of transfers; (ii) 49,114 beneficiary households with delay of payments of four months; (iii) 101,490 have not received three months of transfers; (iv) 47,339 have not received the equivalent of two months; and (v) 15,237 households have not received the equivalent of one month of benefits. In a context of insufficient funds for PSSB, it is imperative that the budgeted funds are fully and timely disbursed. As the PASD-PE established in response to he El Niño, Idai and Kenneth emergencies, low execution of dedicated funds resulted in insufficient or delayed response to beneficiaries that were in need of immediate assistance. In fact, while the program initially planned to cover 124,479 beneficiary households, approximately 12,160 households did not received assistance when it was most needed. It is recommended that the central government in coordination with MEF, MGCAS and INAS analyze the causes of low execution of PSSB, PASP and PASD-PE and improve coordination with development partners to address complexities of these programs at the local levels and to ensure adequate performance. In addition, in the specific case of the PASD-PE, there is a need for INAS to reinforce capacity (HR, means, etc.) to cope with the ongoing needs and make sure benefits reach people in need right after the shock.

> **Funding to the social action sector should increase to ultimately ensure that the social protection system is enough funded to provide cash transfers to all households below the poverty line**

5.3 Efficiency of Spending

Allocations to social protection programs comprise of net transfers and administrative costs which vary depending on the program. Allocations to PASD and PAUS consist of 90 percent net transfers to beneficiaries and 10 percent to cover administrative costs. Of the PSSB allocation, 88 percent corresponds to the total net transfers to beneficiaries and 12 percent to administrative costs[27]. That means for example that a MZN 540 PSSB transfer has an administrative cost of MZN 64.8 to deliver the benefit. PASP has the highest administrative costs, which amounts to 30 percent of the program's allocation[28], resulting in a MZN 315 administrative cost to reach each beneficiary. As explained earlier, PASP has persistently recorded lowest execution rate as compared to other social protection programs, resulting in inability to reach all beneficiaries, despite its higher administrative costs. In a context of very limited resources, it is important for INAS to assess whether it would be feasible to improve spending efficiency by reducing the administrative costs of subsidies. This would ensure that more beneficiaries are covered (i.e. output) for the given budget (i.e. input).

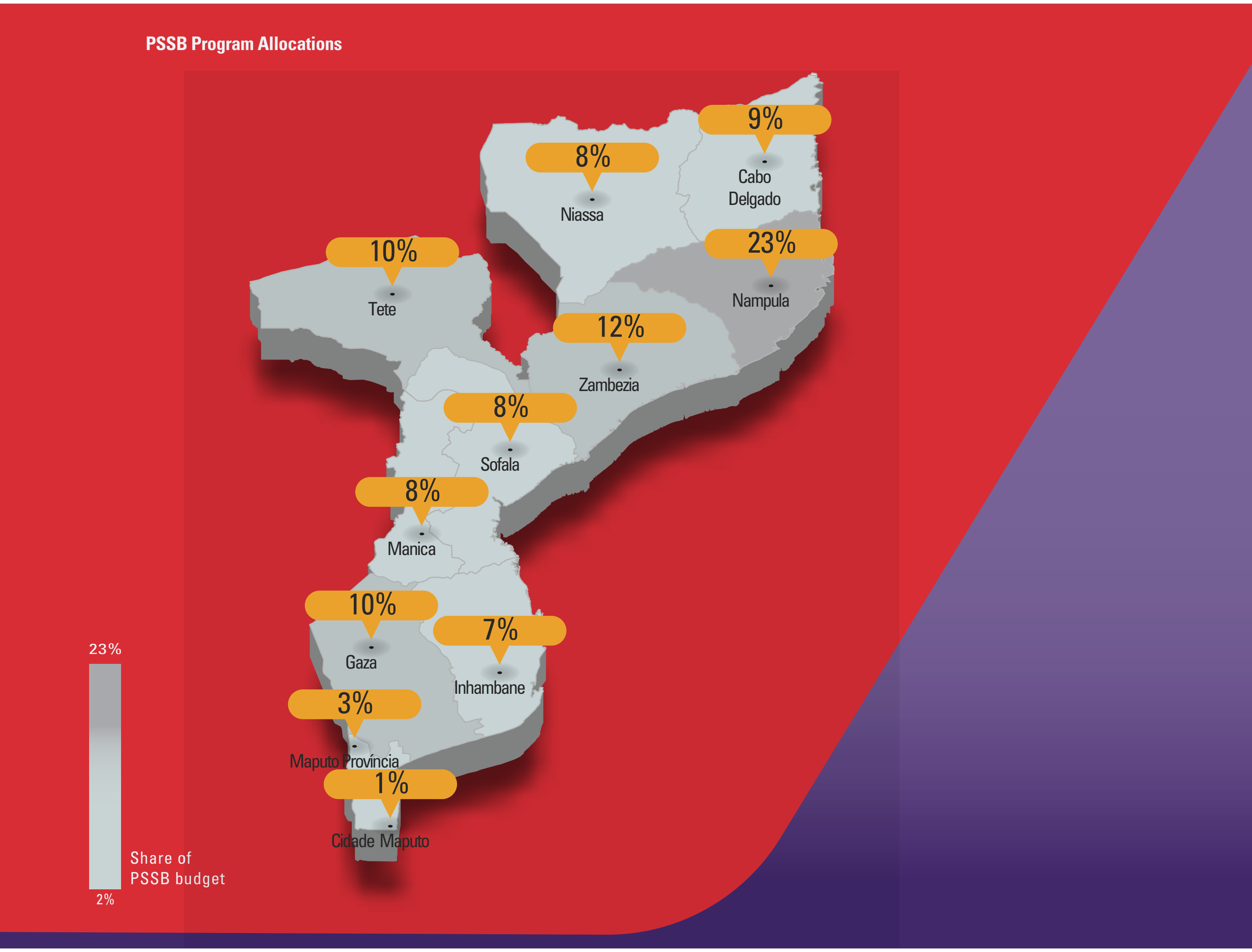
27. LOE 2021; INAS PES 2021.
28. INAS PES 2021.

5.4. Equity

This section focuses on PSSB as it is the largest social protection program in Mozambique both in allocation as well as in number and types of beneficiaries covered.

The PSSB allocations to the provinces are overall equitable, except for Zambezia which is significantly underfunded given its poverty level (see Figure 11). When comparing the share of total PSSB allocation to each province with the share of total poor population[29] by province, PSSB appears to be targeting Mozambican provinces in an equitable manner, with the only exception being Zambezia which is still very much underfunded. In fact, while Zambezia accounts for 23 percent of the total number of poor households in Mozambique, it was allocated 12 percent of PSSB budget. Conversely, Nampula, which accounts for 24 percent of the Mozambican poor population, was allocated 23 percent of the PSSB budget. Some provinces received the exact share of PSSB budget as their share of total poor population: Niassa (8 percent for both), Sofala (8 percent for both), and Maputo (3 percent for both). Other provinces were allocated a few percentage points above than their relative share of poor population: Gaza (10 percent of PSSB budget; 6 percent share of poor population); Tete (10 percent of PSSB budget; 7 percent of poor population).

Figure 11: *Geographical equity of social action spending*



29. 2017 Fourth National Poverty Assessment by MEF.

Glossary of Budget Terms:

- **Initial Allocation**: The first allocation of funds, approved by Parliament
- **Updated Allocation:** The total funds that arrive at the disposal of a given social action institution
- **Revised Allocation:** Allocation of funds revised by Parliament through law.
- **Expenditure:** Allocated funds spent on social action investment and recurrent costs
- **Budget Execution:** 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

CGE: General State Account (Final Budget Report)

CFMP: Medium-term Fiscal Plan

CUT: Single Treasury Account

ENDE: National Development Strategy

ENSSB: National Basic Social Security Strategy

EU: European Union

e-SISTAFE: State Financial Management Information System

GDP: Gross Domestic Product

ILO: International Labor Organization

IMF: International Monetary Fund

INAS: National Institute of Social Action

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

MZN: Mozambican Metical (Local Currency)

PASD: Direct Social Support Program

PASP: Productive Social Action Program

PES: Economic and Social Plan

PQG: Government Five Year Plan

PSSB: Basic Social Subsidy 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

USD$: United States Dollar (Currency)

WB: World Bank

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