



Budget Briefs 2011 # 1

This brief highlights key data from the 2011 Economic and Social Plan (PES) and the State Budget (OE), approved by the National Assembly in December 2010.

KEY MESSAGES

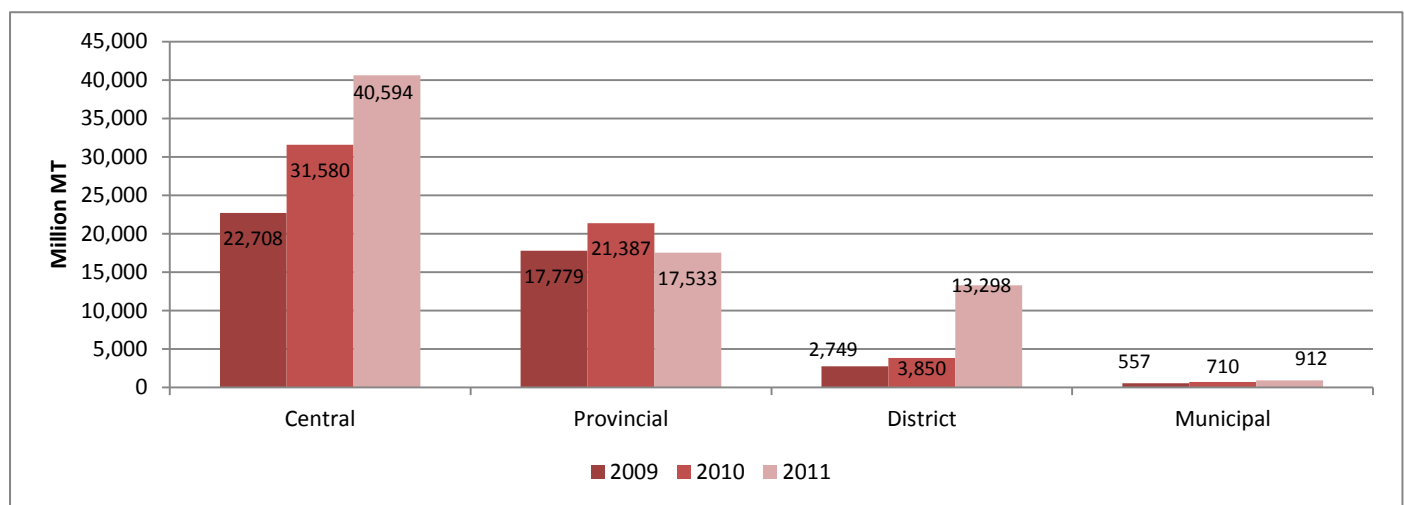
- **Increase in allocations to the district level:** recurrent expenditure at this level tripled compared to 2010 levels.
- **Investment expenditure remains centralised:** increasing 11 percentage points between 2009 and 2011.
- **Public expenditure per capita and by province** shows inequities in provincial allocations where demographics, incidence of poverty and other indicators of social well-being are taken into consideration.
- **The Administrative Tribunal** used a similar analysis of expenditure per capita and by province in its Report and Opinion on the 2009 General State Accounts.
- **The Location Subsidy** amounts to 1,470 million MT in the 2011 OE.

EXPENDITURE BY GEOGRAPHICAL LEVEL

Recurrent expenditure continues to be gradually decentralised. In particular, there has been a relevant increase in the amount of funds managed directly at district level, which tripled between 2010 and 2011.

Despite this positive trend, it is not clear to what extent this deconcentration of funds implies any greater decision making power by the districts over this expenditure, or whether we are witnessing a merely administrative change. At any case, in 2011 about 56% of recurrent expenditure is still concentrated at central level, followed by the provincial level (24%), districts (18%) and municipalities (1%).

Figure 1 - Evolution of Recurrent Expenditure by geographical level, 2009-2011

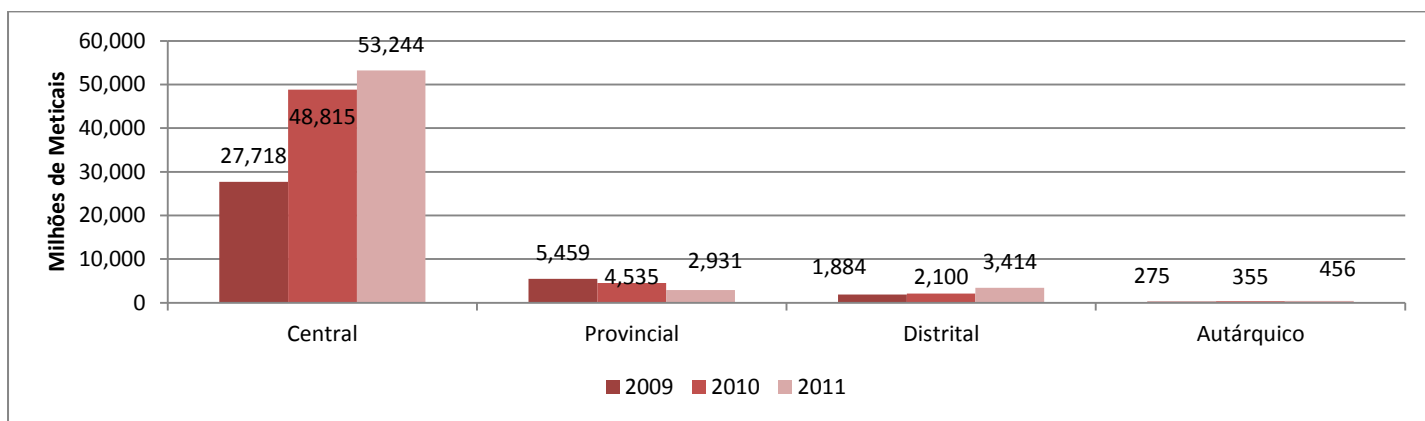


Source: CGE 2009, OE 2010 and draft OE 2011

On the other hand, **Investment Expenditure** continues to display the same trend as in previous years, that is, it remains highly concentrated at central level.

There has, indeed, been an increase in the concentration of capital expenditure of around 11 percentage points between 2009 and 2011 (89% compared with 78%). In any case, in 2011 the capital funds that will reach the district level will be greater than the funds which reach provincial level, as the graph below shows us. It should be noted that capital expenditure at provincial level has fallen from 15% in 2006 to just 5% in 2011.

Figure 2 - Evolution of Capital Expenditure by geographical level from 2009 to 2011



Source: CGE 2009, OE 2010 and draft OE 2011

ALLOCATION OF RESOURCES BY PROVINCE

If we consider the total expenditure (recurrent and investment) of each province¹, we note, for example, that Nampula, Zambezia and Cabo Delgado are the provinces that absorb most public resources (table 1).

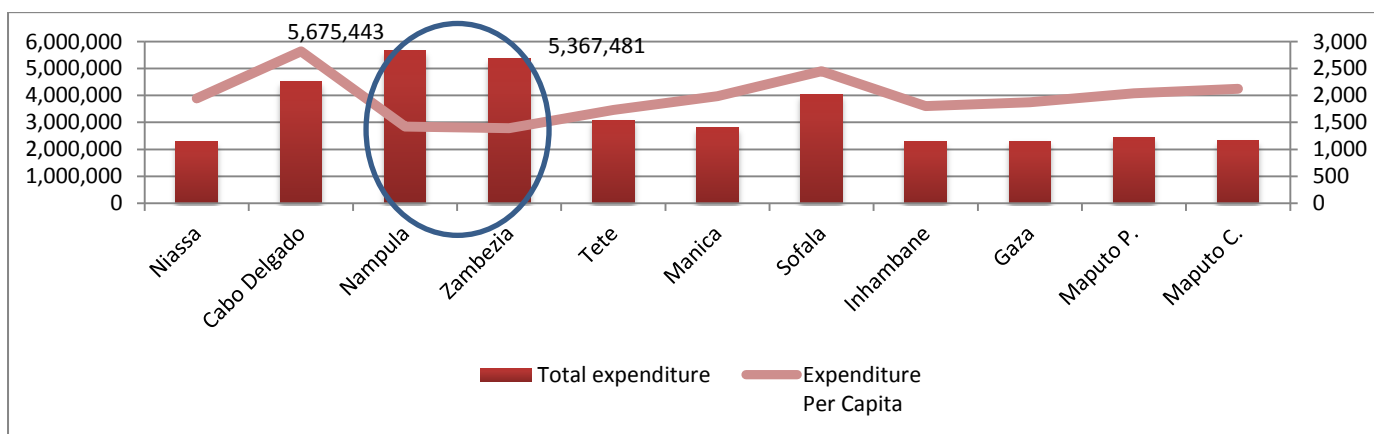
Table 1: Distribution of recurrent and investment expenditure by province and district (total), 2009

Province	Operational		Capital		Total		
	Province	District	Province	District	Province	District	Total
Niassa	1,169,735	699,919	184,099	223,160	1,353,834	923,080	2,276,914
Cabo Delgado	2,572,934	1,452,470	254,342	246,313	2,827,276	1,698,783	4,526,059
Nampula	2,419,442	2,578,611	327,172	350,217	2,746,614	2,928,829	5,675,443
Zambezia	1,596,724	2,068,057	253,766	1,438,934	1,860,489	3,506,991	5,367,481
Tete	1,354,909	1,237,417	231,076	265,642	1,585,985	1,503,060	3,089,045
Manica	1,194,416	1,249,548	208,540	150,097	1,402,956	1,399,645	2,802,601
Sofala	2,124,932	937,384	759,577	219,629	2,864,509	1,157,013	4,021,522
Inhambane	793,200	1,111,600	159,628	229,482	952,828	1,341,082	2,293,910
Gaza	967,518	965,295	186,453	182,885	1,153,971	1,148,180	2,302,151
Maputo P.	1,179,554	1,000,047	168,837	107,218	1,348,391	1,107,265	2,455,656
Maputo C.	2,179,854	0	145,227	0	2,325,081	0	2,325,061
Total	17,533,217	13,300,349	2,868,717	3,413,578	20,421,934	16,713,928	37,135,862

Amounts in Meticals 10³

On the other hand, the distribution of the expenditure, when divided by the population of each province, reveals patterns of marked inequity. The graph below shows the distribution of the total aggregate expenditure for the province compared with the same expenditure divided by the number of inhabitants of each province (per capita).

Figure 3 - Total aggregate expenditure and per capita expenditure by province, 2011



Source - OE 2011

¹ The total operational and capital costs at provincial and district level equal total expenditure at provincial level

It can be seen that the sums allocated to Nampula and Zambezia still fall below those of the most populous provinces. The southern provinces (Inhambane, Gaza, Maputo Province and Maputo City) display high per capita amounts, with a marked difference between aggregate expenditure and per capita expenditure. This finding has also been verified and reiterated in recent years by the Administrative Tribunal when it audits the General State Accounts.

WHY THE ANALYSIS OF PER CAPITA EXPENDITURE?

The analysis of per capita expenditure is an analytical tool with benefits and limitations.

On the one hand, it makes it possible to verify in a simple way the relationship between public expenditure and citizens – the main target of government services and policies financed by the OE. Apart from its simplicity, the per capita expenditure analysis (expenditure divided by the number of inhabitants of a country or of a province) is a useful to draw comparisons between provinces. It is also used to contextualize patterns of use of public resources, considering not only the demographic aspect of a particular place, but also the economic and social characteristics of the populations of these places. The budget briefs try, whenever possible, to cross-check the trends in public expenditure with information on the incidence of poverty or different social indicators (e.g. teacher/pupil ratio, infant mortality rates, etc).

On the other hand, the analysis has limitations. For example, it does not consider the level of absorption of the administrative units, particularly at the decentralised level. This is an important factor in determining the capacity of these units to manage existing or additional funds. There are other factors the Government currently takes into consideration in provincial allocations, but the criteria used for this purpose are not clear or generally known (see Box below). This raises the question of the need for more equitable and clear criteria in the allocation of public resources.

According to the Government, the criteria for allocating resources by province currently consider:

- The nature of the activities undertaken;
- The existing institutional development;
- The implementation capacity shown the previous year;
- The number of existing staff;
- The programming of admissions, and changes or progression along the career structure;
- The staff development plan;
- Prioritising goods and services in the sectors of education/health/public works;
- The availability of resources from internal and external resources; and
- The sector strategic plans

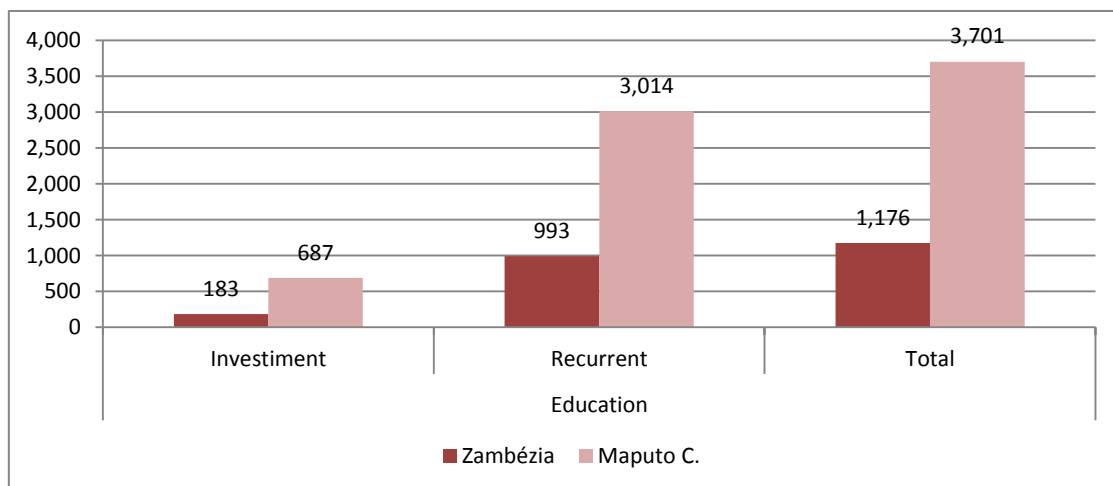
But what is the weight of each criteria? How are they calculated? Are the incidence of poverty, the levels of deprivation of access to basic social services, and other equally relevant aspects taken into consideration, or not? If they are, in what form?

It should be recalled that the introduction of criteria for budget allocations does not substitute the broader need for national and sectoral plans, strategies and programmes that can mitigate inequalities in economic and social development.

In any case, the per capita analysis remains valid as a point of departure for the discussion on how the allocations of public expenditure can attend to the needs of citizens.

The Administrative Tribunal, the supreme auditing body in Mozambique, recently used this analysis in its Report and Opinion on the 2009

Figure 4 - Capital expenditure and operational expenditure in education, per pupil (Zambezia and Maputo City), 2009



General State Accounts, a practice already noted in

its reports of previous years. This document uses the per capita analysis of expenditure in three sectors: education, health and agriculture.

The graph in the left shows the results of the Administrative Tribunal, in using the distribution of per capita expenditure by province in the Education Sector. Zambezia has the lowest endowment per

pupil, and Maputo City the largest.

LOCATION ALLOWANCE

In the context of the Medium Term Wage Policy – and in the framework of the recruitment, retention and reallocation of qualified and experienced public officials at the decentralised level – the Location Allowance was created in December 2009.

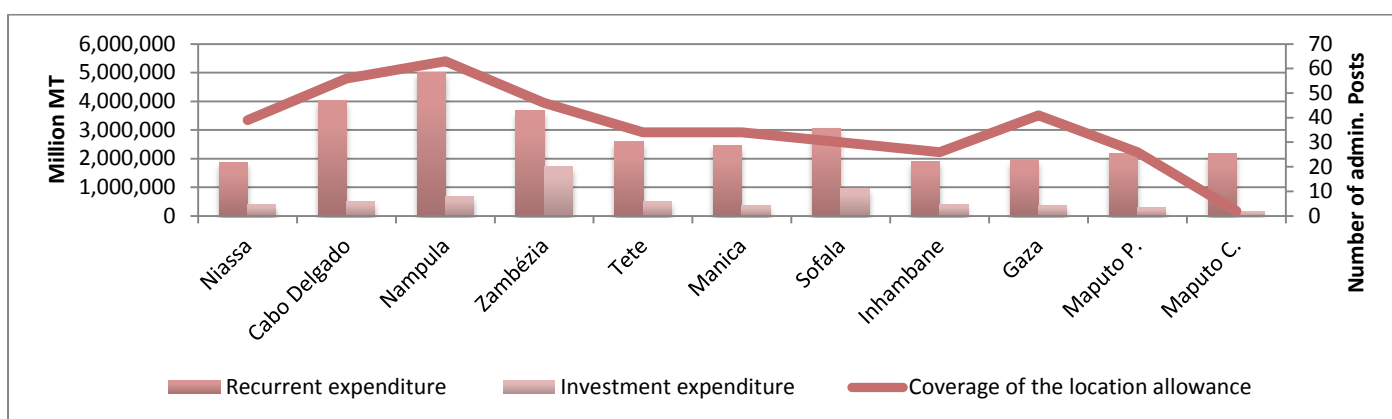
The Location Allowance works as an incentive for public officials placed in more isolated areas. The criteria for making the Allowance operational are based on three categories (see table on the side).

The 2011 OE envisages the application of the Allowance to the sum of 1,470.62 million MT

The coverage of the Location Subsidy (measured by the number of administrative posts per province) corresponds to the distribution of recurrent expenditure by province in 2011 (graph 4). When compared with investment expenditure, the correlation is weak. Would it not be important to accompany the increase in human resource capacity in more isolated areas with increased investment? This investment would contribute, for example, to an increase in local infrastructure.

Factor	Category	Weighting
Settling	Water and sanitation	5 points
	Electricity	5 points
	Health	5 points
	Education	5 points
	Commercial network	5 points
	Housing	5 points
	Weight of the group	40%
Isolation	Geographical aspects	20 points
	Transport	20 points
	Communications	20 points
	Weight of the group	55%
Complementary	Publications	1.66 points
	Banking services	1.66 points
	Prone to disasters	1.66 points
	Weight of the group	5%

Figure 5 - Distribution of the Location Allowance by the number of Administrative Posts and operational and capital expenditure by province, 2011



Source: OE 2011 and Decree 91/2009

The information contained in this brief has been taken from the Mid-Term Fiscal Scenarios issued annually since 2007, and from the draft OE for 2011 submitted by the Mozambican government to the Assembly of the Republic in September, and analysed and approved by the Assembly in December 2010. The Draft PES, the Explanatory Document, the Draft Budget Law, and the charts appended to the law were analysed.

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