

## Budget Briefs 2011 # 2

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



### KEY MESSAGES

- **Trends:** Education remains a Government priority sector with 18% of the total budget envelope.
- **Internal and external funds:** There was a 12% increase in internal resources, which corresponds to a 22% increase in *recurrent* expenditure, but a contraction of 64% in the internal component of *investment* expenditure. There was a 13% increase in external investments, mostly due to the changes in exchange rates (metical/US dollar).
- A further **160 million US dollars was mobilised via the FASE** (the Common Fund supporting of the sector) for 2011-2014 (not yet reflected in the budget and in this brief).
- **Equity:** There is still little correspondence between the provincial per capita allocations and the education development indicators (e.g. number of pupils; teacher/pupil ratio). However, when looking at aggregate expenditures, growth was noted in the total funds allocated to Zambézia Province (the poorest province according to various economic and social indicators).

### DEFINITION OF THE SECTOR

The Education Sector is made up of General Education (Ministry of Education, Provincial Directorates and National Commissions) and Higher Education (Institutes, Universities and Polytechnics). The District Services for Education, Youth and Technology are also an integral part of this sector. Since 2009, these services have been disaggregated in the State Budget

This definition of the sector is the same used in the dialogue between the Government and the Programme Aid Partners who provide direct budget support in Mozambique. It is also the definition that is reflected in the Budget Execution Reports issued every quarter by the Ministry of Finance.

### TRENDS

The total envelope for the Education Sector in 2011 is **22,752 million MT** (or about **18 per cent** of total expenditure, excluding debt servicing and financial operations).<sup>1</sup>

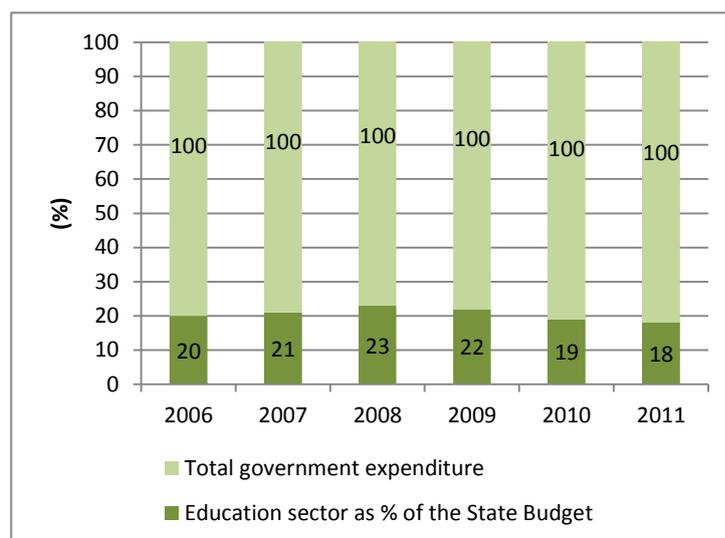
It is difficult to trace the evolution of the weight of the sector over the years because the composition of the sector changed in 2011. For instance, the sector now clearly includes the expenditure of the District Services for Education, Youth and Technology (a total of 9,383 million MT) and the Education District Supervision Support Fund (a total of 119 million MT).

Until 2011, the expenditure allocated did not yet reflect this situation, unlike what is happening in 2011. This makes a linear, year to year comparison difficult. In any case, there was an increase in absolute terms in the allocation to the sector between 2010 and 2011. Even with the impact of inflation (15%), there was an overall increase of 9.2% in the sector's expenditure.

Historically, the weight of the sector has remained constant, with an average of 20% of the total envelope of resources since 1996. The graph below presents a summary of the expenditure in the Education Sector between 1996 and 2006, as a percentage of the budget envelope.

Compared with the other counties, Mozambique displays a relatively high level of expenditure on education.

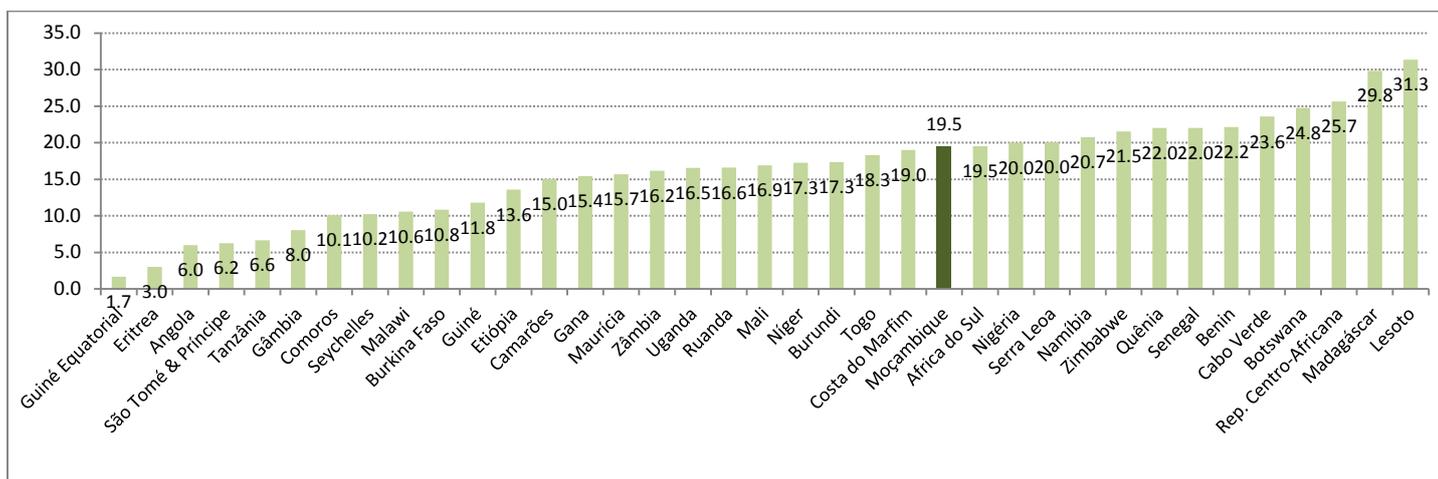
**Figure 1 - Evolution of the expenditure allocated (2010 and 2011) and spent in the Education Sector (2006-2009)**



Source: CGE 2006, 2007, 2008 and 2009 (execution), REO II 2010 (partial execution); OE 2011 (allocation)

<sup>1</sup> Our calculation, to be confirmed with the National Budget Directorate (DNO)

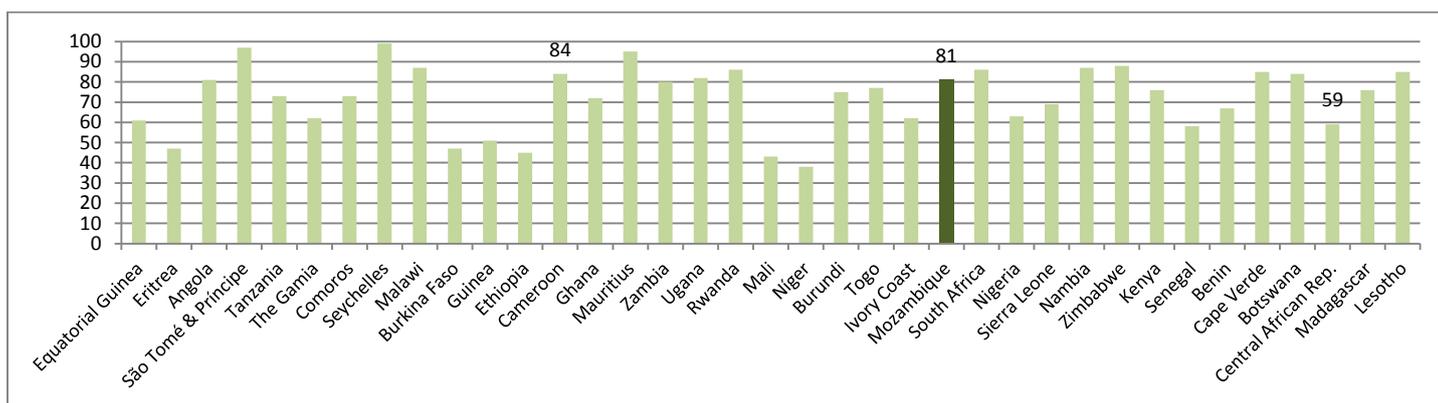
**Figure 2 - Average expenditure on the education sector in Africa as a % of the total envelope of resources (1996-2006)**



Source: Calculation of the UNICEF Regional Office based on data from the International Monetary Fund

However, educational expenditure, just like any regional comparisons, serves merely as a reference point to verify how the sector appears (or not) as a priority in public expenditure. Conclusions cannot be drawn about the efficiency of how these resources are spent. The graph below shows, for example, the variation in the net attendance/registration rate in primary education for the same countries. The correlation between expenditure and the performance indicator is not always perfect. Achieving the right to education is not just a consequence of greater investment. There are other important elements of supply and demand that affect whether children are able to attain this right.

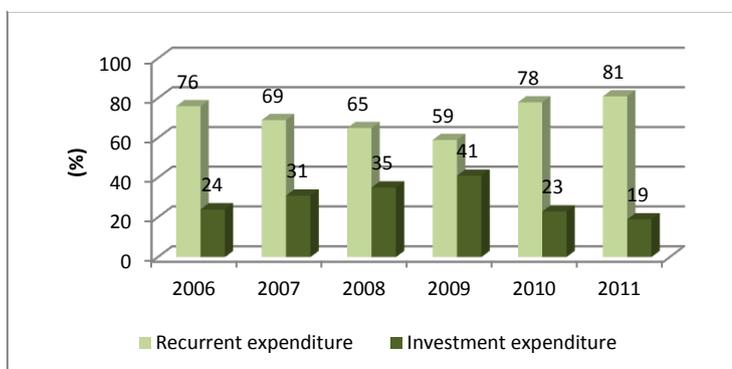
**Figure 3 - Net primary education attendance/registration rate (%) in Africa (2003-2008<sup>2</sup>)**



Source: UNICEF (2010): Progress for Children – Attaining the MDGs with Equity

## COMPOSITION OF THE EXPENDITURE

**Figure 4 - Evolution of recurrent and investment expenditure (2006-11)**



Source: CGE 2006, 2007, 2008, REO IV 2009 (execution), REO II 2010 (partial execution); OE 2011 (allocation)

There is an upward trend for recurrent expenditure (wages, goods and services among other running costs). To guarantee the comparison over the years, the graph on the side does not include in 2011 the amount intended for the District Services for Education, Youth and Technology (a total of 9,383 million MT) and the Education District Supervision Support Fund (a total of 119 million MT).

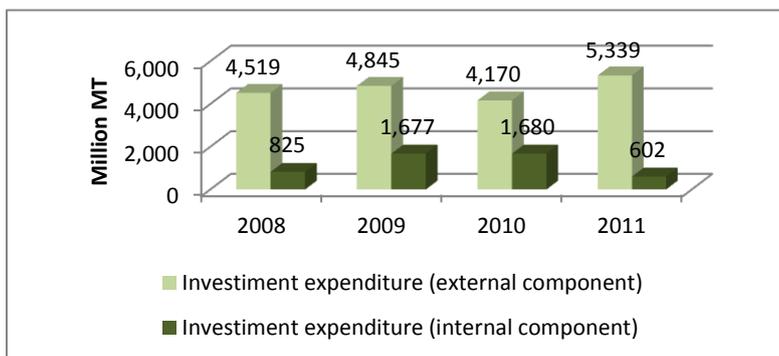
In 2011, an increase in recurrent expenditure was noted, which may be related to implementation of the wage bill (progress along the career structure, promotions, and also the location allowance). The hiring of new primary school teachers may also be a reason. About 8,500 teachers were recruited in 2011. It is estimated that wages make up about 87% of recurrent expenditure in 2011.

<sup>2</sup> The data refer to the most recent year available for each country in the period between 2003 and 2008.

**Investment expenditure** (activities financed with external resources and with a counterpart in domestic funds)<sup>3</sup> has been dropping. This reduction is visible in the internal component, which shrank by about 64% between 2010 and 2011.

On the other hand, the external component has increased. When the draft 2011 LOE was being drawn up, the Sector Common Fund (FASE) shrank with the departure of some partners (the estimate for 2011 was about US\$ 83.4 million). However, new funds were mobilised through the Fast Track Initiative for 2011-2014 and, in 2011, FASE will have about US\$ 126 million available (a figure not included in the figure 5).

**Figure 5 - Evolution of capital expenditure in the education sector, 2008-09 (execution) and 2010-2011 (allocation)**



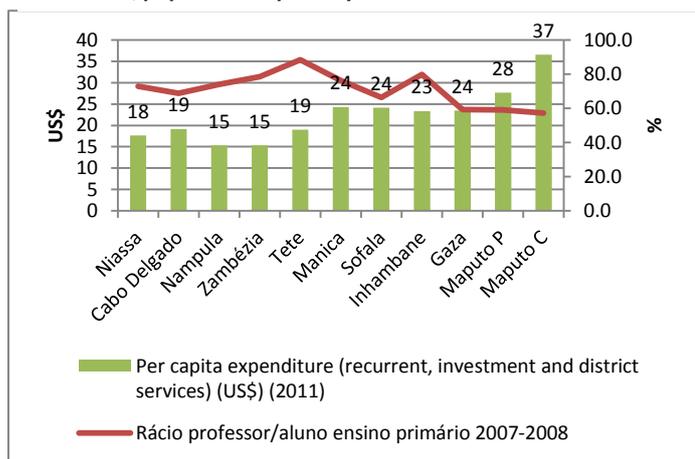
Source: CGE 2008, REO IV 2009, REO II 2010 and OE 2011

## GENERAL EDUCATION AND HIGHER EDUCATION

Over the years, General Education has absorbed an average of 85% of sector expenditure, compared to 15% for Higher Education. In 2011, this average is maintained, with about 19,452 million MT (86%) for General Education and 3,210 million (14%) for Higher Education.

## DECENTRALISATION AND DECONCENTRATION

**Figure 6 - Operational expenditure, capital expenditure and district services per capita and per province (US\$) 2011, and distribution of the teacher/pupil ratio in primary education 2007-2008**



Source: OE 2011 and INE website

school pupils in each province, a correspondence can be seen between the per capita provincial allocations and the size of the beneficiary group. Likewise, the distribution of the teacher/pupil ratio in primary education follows the same trend (graph 6/7).

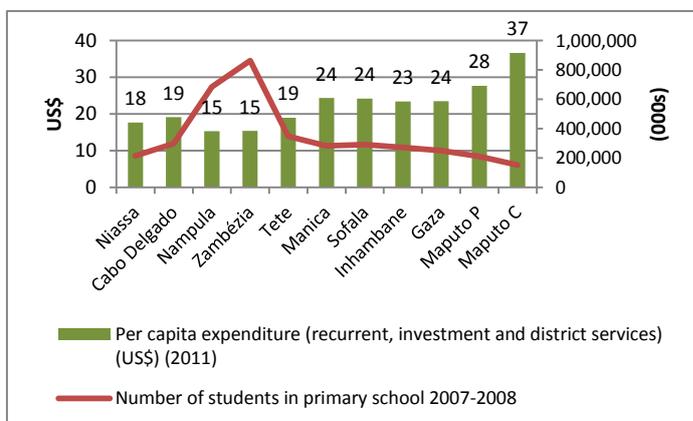
This analysis is limited because it does not take into consideration the effects of the sector in mitigating provincial inequity. One notes, for example, that in recent years most new teachers were hired for Zambezia and Nampula provinces. The analysis also does not take into consideration the level of absorption of the sector in the different provinces for the management of larger funds. In any case, the analysis was recently used by the Administrative Tribunal in its Report and Opinion on the 2009 General State Accounts (CGE), with similar results (see Budget Brief no. 8 for further information).

As mentioned earlier, this year there was a sharp decentralisation of resources between provincial and district levels. Nevertheless, district services are not separated by sectors, making it difficult to have an accurate sectoral picture of funds at that level. For example, the Education Sector is grouped with Science and Technology, Youth and Sports, and Culture. We assume that most of these funds are for education, particularly for wages.

It would be important for the sector expenditure at district level to be structured in the same way as expenditure at the central and provincial levels. This situation also adds to the discussion over whether or not there should be a sector classifier (not just priority sector) so that the inclusiveness and coverage of the budget can be better analysed.

Cross-checking this information against the distribution of primary

**Figure 7 - Recurrent expenditure, investment expenditure and district services per capita and per province (US\$) 2011, and distribution of the number of pupils in primary education, 2007-2008**

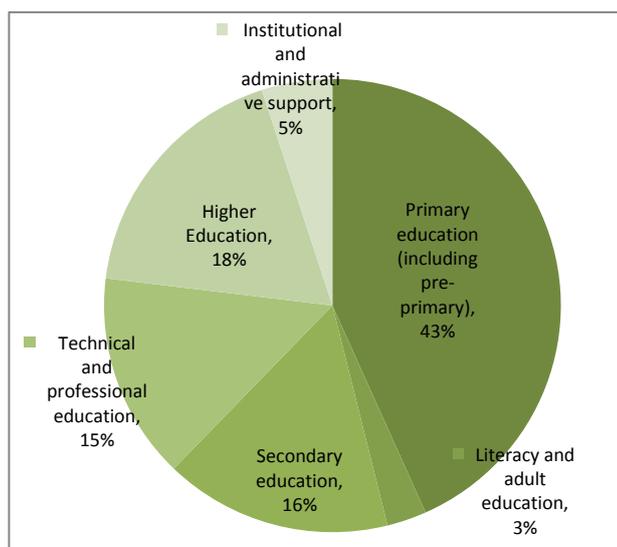


Source: OE 2011 and INE website

<sup>3</sup> Recurrent expenditure is the state's running costs. They include, among others, staff costs, goods and services, debt charges, current transfers, subsidies and financial operations. Investment expenditure in Mozambique reflects the series of expenses incurred in projects financed externally and where, through particular agreements with the donors/funding agencies of these projects, the Government also provides a small amount (known as counterpart funds) in order, for example, to pay national taxes.

## SECTOR PROGRAMMES

**Figure 8 - Distribution of the Budget among the Programmes of the Sector by percentage.**



The draft 2011 PES, unlike the versions of previous years, was designed in accordance with the Government's Five Year Programme (PQG) and not in accordance with the strategic pillars of the Action Plan for the Reduction of Absolute Poverty (PARPA).

About 43% of the sector allocations are aimed at the Primary Education programme (including pre-primary education). The other half of the allocations is divided between higher education (18%), secondary education (16%) and technical and professional education (15%).

Note that this definition of sector programmes still lacks alignment with the specific needs of the sector. The programmes currently in use do not make any direct connection between the PES and OE.

Therefore, this information does not give a complete view of the resources allocated to the sector. Hence it should be analysed with attention.

For the Education Sector, implementation of the following main programmes is envisaged

Programme according to the draft PES	Costs according to the draft OE
1. <b>Primary education (including pre-primary)</b> , which consists of expanding the school network, with an increase in building and equipping schools, publicising the importance of school in order to increase enrolment, recruiting new teachers, rehabilitation of teacher training institutes, and integrating the social protection component, among others.	2,457,238.99 MT (10 <sup>3</sup> ) – Central level 60,914.83 MT (10 <sup>3</sup> ) – Provincial level
2. <b>Literacy and Adult Education</b> , which consists of hiring and capacity building of literacy teachers, holding initial training courses, among others	161,700.20 MT (10 <sup>3</sup> ) – Central level 1,463.43 MT (10 <sup>3</sup> ) – Provincial level
3. <b>Secondary Education</b> , which consists of the sustainable expansion of school quality, through the building of schools and classrooms, the opening of distance learning centres, training more teachers, and equipping school libraries, among others	899,833.81 MT (10 <sup>3</sup> ) – Central level 36,041.81 MT (10 <sup>3</sup> ) – Provincial level
4. <b>Technical and Professional Education</b> , which consists of expanding and rehabilitating the network of training institutions, promoting access of pupils and retaining them, particularly women, and training teachers, among others	852,035.49 MT (10 <sup>3</sup> ) – Central level 2,538.31 MT (10 <sup>3</sup> ) – Provincial level
5. <b>Higher Education</b> , which consists of expanding access, guaranteeing gender equity through the granting of scholarships, implementing the national framework of academic qualifications, and building polytechnic institutions, among others	904,665.75 MT (10 <sup>3</sup> ) – Central level 146,366.80 MT (10 <sup>3</sup> ) – Provincial level
6. <b>Institutional and Administrative Support</b> (programme in the draft OE)	230,845.17 MT (10 <sup>3</sup> ) – Central level 60,109.00 MT (10 <sup>3</sup> ) – Provincial level

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 National Assembly 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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