Social Welfare Sector

Budget Brief 2012[1]

Key Message:

- **Budget in 2012**: The sector's budget is equivalent to about 0.4% of GDP (US$ 65 million). There has been an increase of 24% compared with 2011.
- **National Assembly recommended the government a 40% increase in the 2012 State Budget Proposal for the Social Protection Programmes administered by the National Social Welfare Institute (INAS)** to implement the National Basic Social Security Strategy (ENSSB) 2010 – 2014. The basic social security programmes are budgeted at about US$ 37 million.
- **New definition of the Sector:** The Sector now includes a budget line related to "price subsidies" – but it is not clear how these additional sums will be spent and what the criteria are for their allocation.
- **Efficiency and equity in allocations:** With the review of the social protection programmes, in addition to identifying and selecting the beneficiaries, it will be necessary to improve the allocation criteria in the various provinces so as to improve the effectiveness of these programmes in reaching the poorest and most vulnerable households

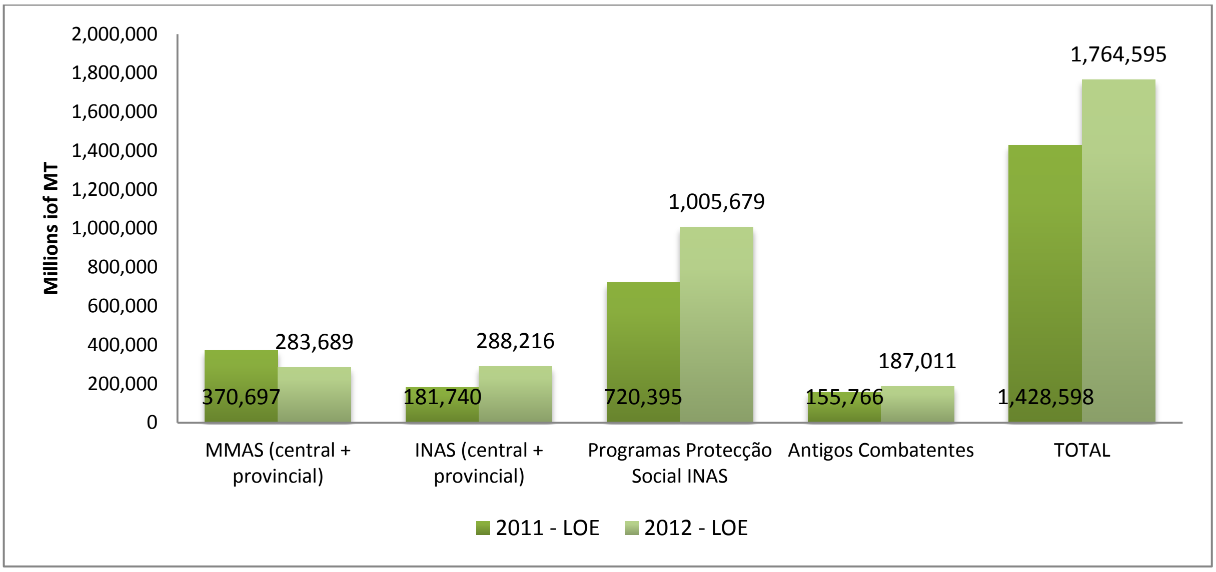
1. Envelope for the Social Welfare sector

For 2012, the Social Welfare Sector has been allocated about **1,765 million MT** (about **US$ 65 million**[1]), which is **1.1% of the State Budget (OE)** or **0.4% of nominal GDP** for 2012 (Figure 1).

There has been a **general increase of 24% compared with 2011** (when the budget was 1,428 million MT). This increase occurred above all because of a recommendation by the Plan and Budget Commission (CPO) of the National Assembly, in collaboration with the civil society Budget Monitoring Forum, which envisaged **an additional 316 million MT** "for the basic social assistance components."[2]

The total budget for the sector **includes the social protection programmes** administered by the National Social Welfare Institute (INAS) (1,006 million MT or about US$ 37 million). **But it does not include the budget for the District Health, Women's Affairs and Social Welfare Services** (2,184 million MT). We believe that only a small percentage of this corresponds to the Ministry of Women's Affairs and Social Welfare and its Provincial Directorates. It would be important to disaggregate this information in order to monitor better public expenditure at district level.

Figure 1 Distribution of the Budget for the Social Welfare Sector (+ INAS Social Protection Programmes), 2011-2012



Source: LOE 2011 e 2012

[1] US$ 1 = 27 meticais
[2] Opinion no, 12/2011 of 6 December 2011.

2. Inclusion of the "social subsidies" in the Social Welfare sector

The table on Total Expenditure in the Priority Areas in the 2012 OE shows an increase in the weight of the Social Welfare sector from **1.3%** (2011) to **2.3%** (2012) of total expenditure. This increase is due to a change in the definition of the sector, which now includes the "social subsidies that seek to minimise the high cost of living".

The total amount allocated to price subsidies is significant (4,448 million MT/US$ 165 million). However, only 35% of the total value of the price subsidies (or about 1,574 million MT/ US$ 58 million) seems to be included in this new definition of the Social Welfare sector (Table 2).

Table 1 Estimate of the distribution of price subsidies and inclusion in the new definition of the Social Welfare sector

Subsidies	LOE 2012 (MT)	LOE 2012 (US$)
Price subsidies (in OE 2012)	4,448	165
Social Welfare sector 2012 (without subsidies – old definition)	1,765	65
Estimate of the social subsidies included in the sector	1,576	58
Social Welfare Sector (with subsidies)	3,341	124

Source: Estimate based on LOE 2012 - (figures in 10ˆ3 MT and US$)

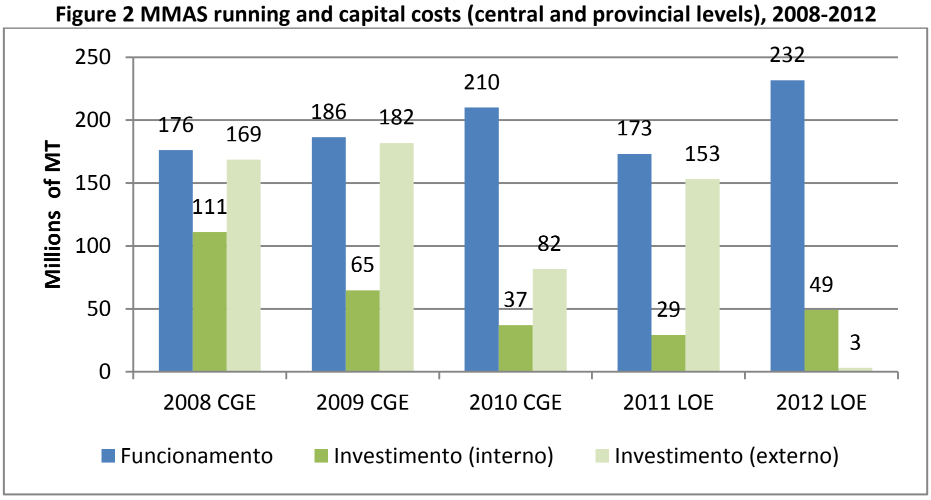
The 2012 OE does not specify how the "price subsidies" will be used. It is only known that they will be destined "to maintain the package of price subsidies introduced in 2010, seeking to guarantee supply and access to goods and services that are essential to the public." **But how will these funds be used in practice** (e.g. compensation for the fuel distribution companies? Subsidy for the transport operators? Maintaining the fares charged by minibus-taxis ("chapas")? Subsidy for the bakers?)?

It is known that **the government is still a long way from making some of these subsidies (transport) operational and that fuel subsidy is clearly regressive**, switching funds that could have been channelled to other programmes that already exist and which have a greater capacity to reach the most vulnerable strata of society in a more efficient and effective manner.

3. General trends

Capital expenditure for the Ministry of Women's Affairs and Social Welfare (MMAS), at central and provincial level, has fallen over the years (Figure 2). In 2012, there is no information about the *external component* of investment at the central level of the MMAS. In any case, capital expenditure (internal and external) has fluctuated over the years, probably because of the construction of the MMAS building in 2008 and 2009.

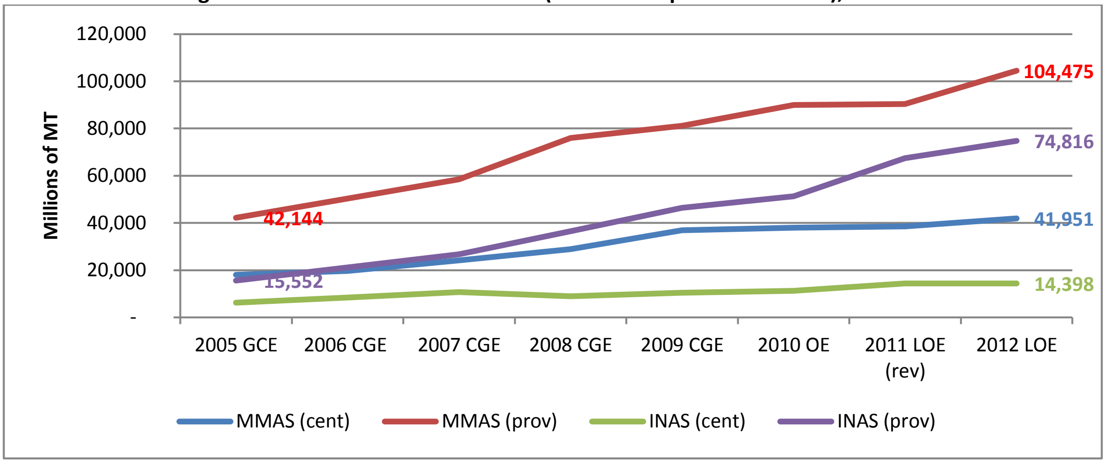
Figure 2 MMAS running and capital costs (central and provincial levels), 2008-2012



Source: 2008-10 CGE e LOE 2011-12

Furthermore, the MMAS running costs increased by 31% between 2008 and 2012 (Figure 2). This increase is more visible at provincial level (DPMAS), mainly with staff costs which have increased significantly since 2005 (Figure 3), rising from 42 million to 104 million MT in 2012. It would be important to understand the reason for the trend for higher staff costs and reduced investments in MMAS (central + provincial).

Figure 3 Staff costs MMAS and INAS (central and provincial levels), 2005-12



Source: 2008-9 CGE; 2010 OE and LOE 2011-12

The *running costs* of the INAS (central level) have remained relatively constant (Figure 2). But the *staff costs* in the INAS provincial delegations have risen since 2005, probably to respond to the expansion of the social protection programmes (in the number of beneficiaries and the budget). The number of INAS provincial delegations rose from 19 to 30 in recent years.

4. Basic Social Security National Strategy

The new package of **Basic Social Security Programmes** under implementation by INAS and which will allow implementation of the Basic Social Security National Strategy (ENSSB) 2010 – 2014 was approved by the Government in September 2011. The recently approved programmes will provide assistance for households who are unable, by their own means, to emerge from their poverty situation.

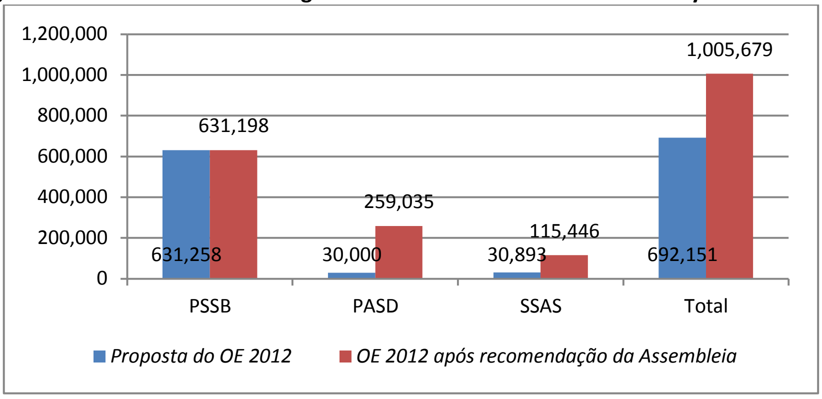
The Strategy envisages the following restructuring of the social protection programmes administered by INAS:

- **Basic Social Subsidy Programme (PSSB)** – replaces the old Food Subsidy Programme (PSA), and is aimed at households where none of the members are able to work.
- **Direct Social Support Programme (PASD) –** programme to support vulnerable households who are facing shocks that they cannot overcome by their own means. The support may be pinpointed in time or for a longer period.
- **Social Welfare Social Services Programme (PSSAS) –** programme to finance the social units managed by the INAS
- **Productive Social Welfare Programme** – component of Public Work and Income Generation. The component of transfer to public work will be implemented by the municipalities and the district authorities, while the INAS coordinates and selects the beneficiaries.

For 2012, the budget for the social protection programmes (PSSB, PASD and PSSAS) is **1,006 million MT (US$ 37 million)**, which is **0.6% of the OE** or **0.2% of nominal GDP** for 2012.

The graph below shows the distribution of the reinforcement of 316 million MT recommended by the National Assembly: **73% of the reinforcement was allocated to the PASD and 27% to the SSAS.** The PSSB (the former Food Subsidy Programme) did not receive any additional allocation.

Figure 4 Budget of the Social Protection Programmes before and after the Assembly's recommendation, 2012



Source: LOE 2012

In any case, there is still a deficit in comparison with the "ideal scenario" of the new package of Basic Social Security Programmes approved in September 2011, which proposed a budget of 1,633.524 million MT (about US$ 60 million) for the programmes[3] (Table 3). The funding gap for the entire ENSSB is 628 million MT (or US$ 23 million). It should be noted that, with the reinforcement recommended by the Assembly, the allocations for the SSAS programmes exceeded the forecasts of the "ideal scenario" by more than 100%.

Table 2 Budget for the ENSSB in 2012 (ideal scenario, LOE 2012, deficit)

	Ideal scenario (MT)	OE 2012 (MT)	Deficit (MT)	Deficit (US$)
PSSB	1,287,854	631,258	656,596	24,318
PASD	291,264	259,035	32,229	1,194
SSAS	54,406	115,446	-61,040	-2,261
Total	**1,633,524**	**692,151**	**627,785**	**23,251**

Source: ENSS 2010-14; LOE 2011-12- (value in 10ˆ3 MT and US$)

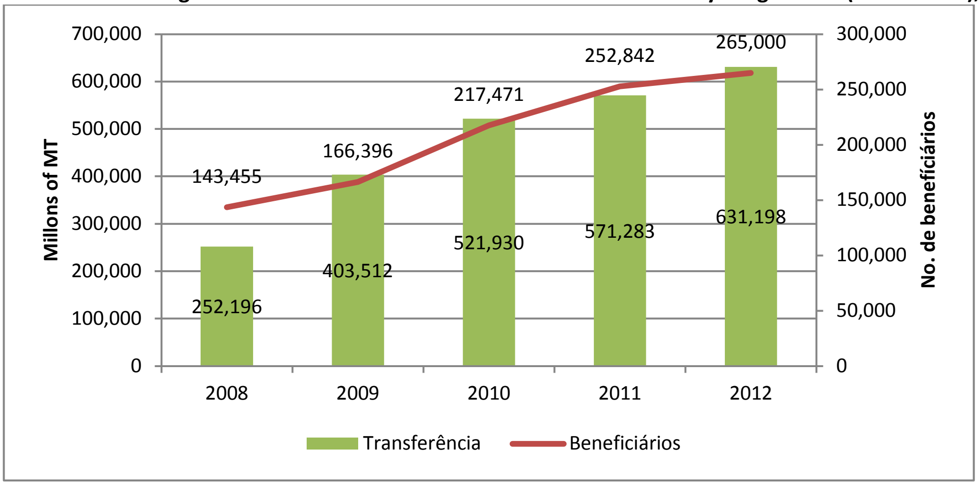
5. Basic Social Subsidy Programme (PSSB)

Based on the information in the 2012 LOE (before the revision proposed by the CPO), the PSSB (former PSA) accounted for about 63% of the budget of social protection programmes administered by the INAS, with a total of **631 million MT (US$ 23 million)** in 2012. The increase corresponds to the expansion in the number of beneficiaries over the years (Figure 5).

This subsidy, aimed at households where no member has the capacity to work, is important to guarantee the satisfaction of the basic needs of household members, including children living with elderly people.

[3] This analysis does not include the budget planned for Productive Social Welfare Programmes. The funds for these were not identified in the analysis of the 2012 LOE. The lack of funds for these programmes must be associated with the fact that this is a pilot year for their implementation, and with the expectation that partners will provide funding.

Figure 5 Evolution of the Budget and no. of Beneficiaries of the Basic Social Subsidy Programme (former PSA), 2008-2012



Source: 2008-10 CGE and LOE 2011-12; Plan of PSA support activities (2008-2011)

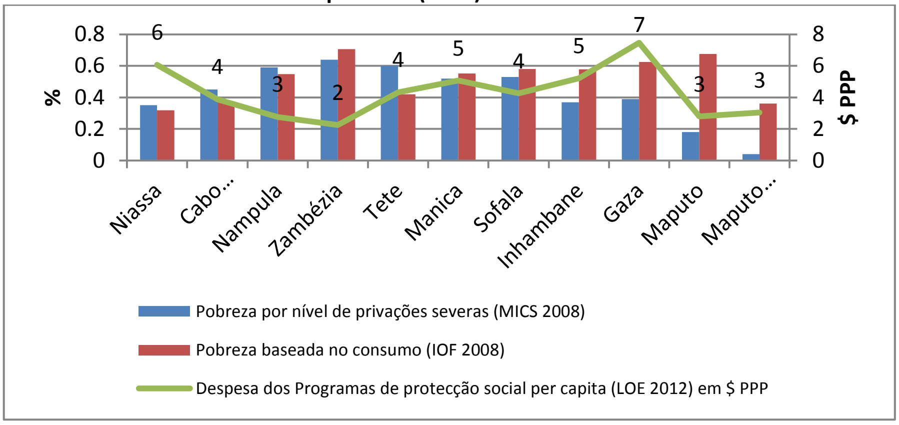
One of the important aspects of the ENSSB is the proposal to increase the **PSSB monthly monetary transfer from 130 Mts (US$ 5) to 239 Mts (US$ 9)** (with a 25% addition for each additional member). As the programme did not receive any significant addition funding in 2012, it is thought that the increase in the value of the transfer will not materialise. This compromises the impact of the programme on the fight against poverty and for inclusive economic growth.

In any case, the programme is aimed at a large number of beneficiaries (265,000 households in 2012). With the increase in the budget for the other programmes, the number of beneficiaries almost tripled, rising from 13,729 to 37,243 (in the case of PASD) and from 2,002 to 7,009 (in the case of SSAS).

6. Equitable Distribution of the Social Protection Programmes

When we divide the budget of the social protection programmes by the number of inhabitants of each province, we obtain the per capita provincial expenditure. We compare these figures (in Purchasing Power Parity $) with the incidence of poverty in the country, based on consumption and on the level of severe privations.

Figure 6 Per capita expenditure on the Social Protection Programmes by province in $ PPP (2012) and the incidence of poverty by province (2008)



Source: LOE 2011-12; MICS 2008; IOF 2008 PPP (US$); World Bank (2009 data was used to calculate the PPP of 2011 and 2012)

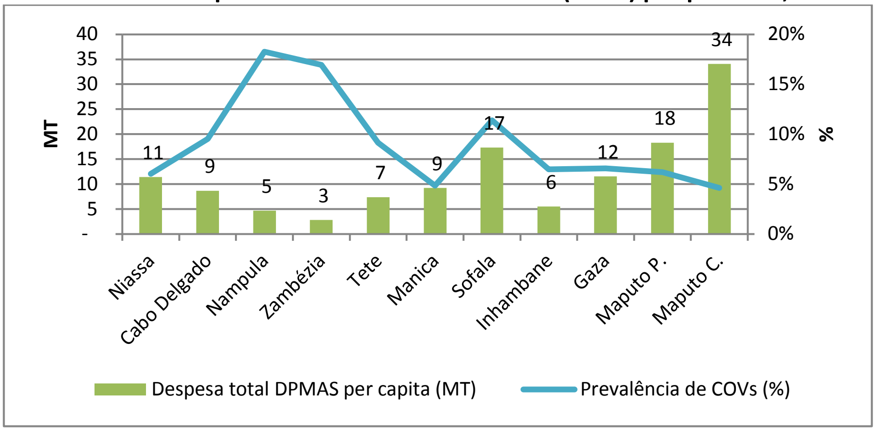
One notes a lack of correspondence between the allocations of the programmes and the level of poverty in the provinces (the same situation was observed in 2011). Zambézia, the poorest and most populous province in the country, receives only US$ 2 per person. In contrast, Niassa receives about US$6 per person although it has a lower poverty rate.[4]

In addition to the efforts of INAS to improve its selection mechanisms at community level, it would be important to ensure **a criterion to guide the allocations of the social protection programmes** in order to reach, in the first instance, the poorest and most marginalised households.

[4] The analysis of per capita expenditure is merely an analytical approach to show the distribution of expenditure and number of inhabitants in each province.

As for the Provincial Directorates of Women's Affairs and Social Welfare (DPMAS), a comparison was made of the prevalence of orphans and vulnerable children (COVs) by province. One notes that there is no link between the per capital budgetary allocations to the DPMAS in each province and the percentage of children aged from 9 to 17 years who are orphaned or vulnerable due to AIDS (Figure 8).

Figure 7 Running and capital costs of the Provincial Directorates of Women's Affairs and Social Welfare and the Prevalence of Orphans and Vulnerable Children (COVs) per province, 2012



Source: LOE 2012; MICS 2008

More than a third of the COVs in the country live in Nampula and Zambézia, and these receive only 5 and 3 MT per person, respectively (DPMAS running and capital costs). But the reverse situation occurs in Maputo City.