

VERSION 2: 10-10-07

**Social Transfer Case Studies No.7**  
**Food Subsidy Programme, Mozambique**

**Overview**

The Food Subsidy Programme (in Portuguese, PSA – Programa de Subsídio de Alimentos) in Mozambique is a rare example in the southern African region of a state-led social security programme with continuous funding over a long period. This case-study is therefore a key one for informing the contemporary policy discussion about providing predictable funding for predictable needs, and scaling up cash transfer forms of social protection. The PSA began in 1990 during civil war conditions, but evolved to its current institutional form in 1997. The Program provides a monthly cash transfer to people who are destitute and have no capacity to work, including older, disabled and chronically ill people (but not those living with HIV/AIDS and TB), and pregnant women who are malnourished.

The PSA is implemented by the National Institute of Social Action (INAS), a semi-autonomous agency of the Ministry for Women and Social Action (MMAS). It is funded by the Mozambique government, and its recent budgets were 164.2m Mtn (US\$6.3m) in 2006 and 188.6m Mtn (US\$7.3m) in 2007. The value of the transfer to beneficiaries varies from 70 Mtn (US\$2.7) to a maximum of 140 Mtn (US\$5.4) depending on the number of dependents in the household.<sup>1</sup> The number of beneficiaries was 96,600 in 2006, and had risen to 101,800 in March 2007.

**Organisation**

INAS is subordinated to MMAS and is defined as the executing body for policies defined by the Ministry. However, in practice INAS has considerable administrative autonomy as it receives its budget directly from the Ministry of Finance. INAS has delegations in all the provincial capitals that respond to INAS at central level, but are also accountable to the Provincial Directorates for Women and Social Action. Given that the PSA was initially conceived as an urban programme, delegations were established in the provincial capitals. However, some provinces, such as Inhambane for example, have two delegations, one in the city of Inhambane and another in Maxixe; one delegation is responsible for the south of the province and the other for districts in the north.

At community level, INAS works through local volunteers, known as *Permanentes*, chosen by the community to act as its community agents. *Permanentes* are appointed only in communities with a minimum of 25 beneficiaries (urban areas) or 15 beneficiaries (rural areas). Each *Permanente* signs a Terms of Agreement with INAS, and receives an incentive payment of 300 Mtn per month. The *Permanente* is the link between INAS and the community and therefore should be someone who is available (that is, ready to carry out activities for INAS whenever asked), suitable, serious, honest and elected by the community. The *Permanente* has the tasks of informing the community about the PSA, actively participating in the identification of vulnerable people as potential beneficiaries, making home visits to beneficiaries, advising beneficiaries of payment dates, being present at Payment Posts on payment days and helping to check the payment list.

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<sup>1</sup> The currency in Mozambique is the Metacai, the brief form of which is written Mtn. The exchange rate used for most conversions in this document is Mtn26 = US\$1, however the Mtn was previously declining in value gradually against the dollar, so different rates applied in earlier years.

## **Vulnerability**

The Food Subsidy Program explicitly targets the destitute i.e. people who are unable to gain a living and feed themselves or their families (see Box 1). This social group is the most vulnerable in Mozambique in terms of negligible levels of assets and incomes, and the reasons that they are in this position comprise a wide variety of personal misfortunes in addition to underlying vulnerability factors in the society and economy at large. The PSA seeks to make a contribution (as it happens, a very small contribution) to the basic survival capability of its beneficiaries, and does not seek to address the causes of their vulnerability.

### **Box 1: A Typical PSA Beneficiary**

Dona Aurelia (fictitious name) is 78 years old, had 2 children, and lives alone since her son left to go to South Africa many years ago looking for employment. She hasn't heard from him since. Her daughter died years ago. To survive she depends on the Food Subsidy and from the charity of neighbours and the local *Permanentes*. When she was younger she used to farm a small field, but these days she no longer has the strength. She walks slowly with the help of a crutch and cannot see well; her eyes are clouded by cataracts. Dona Aurelia is typical of PSA beneficiaries, who generally are over 65 years old, live alone, have no support from another able-bodied adult, have no regular source of income or other assistance, and are unable to work.

## **Targeting**

The program documentation identifies the target social groups of the PSA as follows:

- (i) the elderly – individuals of both sexes, aged 55 and over for women and 60 and over for men, who are recognised as being permanently unable to work and who live alone or are heads of destitute households;
- (ii) the disabled – individuals of both sexes, aged 18 and above, who are recognised as being permanently unable to work and who live alone or are heads of destitute households;
- (iii) the chronically sick – individuals of both sexes, aged 18 and above, who suffer from one of five chronic diseases recognised by the medical services (hypertension, diabetes, epilepsy, bronchial asthma, and chronic renal insufficiency), are unable to work and who live alone or are heads of destitute households (it should be noted that neither tuberculosis nor HIV/AIDS are included in the list of chronic diseases, but some instances occur in practice of people living with HIV/AIDS who do receive the food subsidy);
- (iv) malnourished pregnant women – pregnant women with nutritional problems associated with social risk factors.

The PSA Orientations and Procedures Manual poses this list slightly differently, in the form of the criteria that should be used to determine eligibility:

1. age – to be verified through presentation of an Identity Card (BI);
2. residence – to be verified through a declaration issued by the local administrative structure;
3. income – applied when there are members of a household who are working or are receiving any type of pension, the monthly income per capita must not exceed 70 Mtn;

4. clinical – this is applied to the disabled, the chronically sick and malnourished pregnant women.

The Organisations and Procedures Manual also lists the steps a person must follow to be admitted to the PSA and these are:

- the candidate presents themselves to the *Permanente*;
- in coordination with the Secretary of the *Bairro* or community leader of the settlement, the *Permanente* fills in a questionnaire form;
- presentation of the candidate to the medical unit for certification and analysis of their degree of disability or sickness, in the case of the disabled or chronically sick.

The Delegation or Sub-delegation of INAS should then:

- receive the forms from the *Permanente*, so that a decision may be taken on the case within 15 days;
- organise the individual case file, filling in the identification details of the beneficiary and attributing a reference number;
- make a home visit to confirm the candidate's socio-economic data;
- analyse the person's socio-economic situation;
- give an opinion in writing and a decision on the case supposedly within the 15 days foreseen in the Manual;
- for candidates with a favourable decision, a beneficiary identity card should be issued.

This is a lengthy process which in reality takes months, and is one of the aspects most criticised by the *Permanentes* and by beneficiaries. The requirement to verify age through an identity card (BI) is a major constraint, since many – especially older – beneficiaries do not possess one and obtaining a BI can take months and implies a financial outlay that potential beneficiaries cannot make. INAS has tried to address this problem through a partnership with the Civil Identification Services and by accepting application receipts for a BI as adequate for PSA enrolment, before the BI itself is issued. Even so, it is this aspect of the entry criteria which has caused most difficulty for older candidates, especially in the rural areas.

#### **Box 2: Example of Inclusion Error in the PSA**

Dona Maria (fictitious name) has two sons who have good jobs in Maputo and she lives with a daughter who receives a payment of 600 Mtn per month from the local priests for teaching sewing. She has a good house made of concrete blocks with a well, which one of her sons helped to build, and she sells in the market twice a week. Dona Maria had brought a basket of products to sell to her fellow INAS beneficiaries at the Payment Post.

In the group interview in Nhaduga settlement, other beneficiaries became angry when Dona Maria showed off her wares; they said that if they lost their subsidy, it would be her fault. To calm people down, the INAS official present on this occasion had to intervene (by praising her initiative to try to improve her own welfare).

Although PSA is acknowledged to be generally successful in its targeting, especially due to the local knowledge and experience of *Permanentes*, nevertheless inclusion and exclusion errors are sometimes made due to administrative oversight, or lack of information about the

broader family circumstances of applicants to the scheme. An example of an inclusion error – a beneficiary who has close kin in employment – is provided in Box 2 above.

### **Coverage**

PSA covers all provinces in Mozambique, but not all districts. Hitherto, the programme has been confined to urban areas, although INAS has recently started to expand coverage to selected rural areas. Of the 96,582 PSA beneficiaries in 2006, 89,819 (92 per cent) were older people (59,069 women and 30,750 men), 5,606 were disabled, 933 were chronically sick, and 222 were female heads of households. Chimoio city in central Manica Province had the highest number of beneficiaries with 10,840, followed by Nampula city (northern, Nampula Province) with 8,052 and Beira (central, Sofala Province) with 7,264.

According to MMAS estimates, the older population (men over 60 years and women over 55 years old) is approximately one million. Since the national poverty rate is 54.1 per cent, and typically older people as a group contain more poor people than those of working age, it is probable that there are around 600,000 older poor in Mozambique. Thus the 2006 level of PSA beneficiaries represents about 15 per cent of this number. Various other proportions could of course be examined, but the conclusion is that PSA is likely to reach quite a small proportion of potential destitute beneficiaries in rural and urban areas of the country.

### **Coordination**

INAS is an executive body charged with implementing MMAS policies, whilst MMAS has overall responsibility for co-ordinating 'social actions', mainly social assistance. This gives INAS direct or indirect access to decision-making as well as coordinating bodies and forums. The central level distinction of roles between MMAS and INAS is reproduced at province level where MMAS Provincial Directorates have an overall coordinating brief, while INAS Delegations solely manage the social transfer programmes under their jurisdiction, and their reporting obligations are directly to INAS headquarters.

In Mozambique 'social action' is included in the national Action Plan for the Reduction of Absolute Poverty – PARPA, the country's Poverty Reduction Strategy Paper (PRSP). Donors and the government have set up a PARPA Working Group on Social Action headed by the MMAS Directorate of Planning and Studies. INAS is responsible for providing data for working group reports, but is otherwise only indirectly represented by MMAS, possibly limiting its advocacy of greater government commitment to social protection. INAS participates in working meetings of the Technical Secretariat for Food and Nutritional Security (SETSAN), which aims to introduce food security as a cross-cutting issue in sector plans and also in the SETSAN working group on Food, Nutritional Security and HIV/AIDS (SANHA) that recently (2007) produced a Procedures Manual providing guidelines on vulnerability targeting, including vulnerability related to HIV/AIDS. INAS intends to pilot this manual.

While INAS runs a number of social protection programmes there is little cross-referral between them. For instance, a malnourished pregnant woman becomes ineligible for the food subsidy six months after giving birth; and could be transferred to the Social Benefit for Work programme; however, this is most unlikely to occur in practice since *Permanentes* who are tasked with such coordination are overwhelmed by dealing with single programmes like the PSA.

### **Cost Effectiveness**

The value of the food subsidy was initially intended to correspond to one third of the monthly minimum salary, currently 1,645 Mtn (US\$63) in the formal sector and 1,126 Mtn (US\$43) in agriculture. However, as implemented in recent years it has been considerably below that level, with the transfer amount for a single person corresponding to between 4 and 6 per

cent of those two minimum wage rates per month. For beneficiaries, the transfer amount depends on the number of dependents in the household:

Household structure	Mtn	US\$
Single person	70	2.7
1 dependent	100	3.8
2 dependents	120	4.6
3 dependents	130	5.0
4 or more dependents	140	5.4

PSA operational and administrative costs are high in relation to the value of money disbursed. Officially these costs are estimated to represent 15 per cent of the INAS budget; yet they are observably much higher than this. Apart from the value of the transfer, the total budget must cover:

- the costs of vehicles and fuel required for site visits by INAS officials and delivery of the monthly cash amounts to pay points, which is a huge logistical exercise involving many different steps, people, and official bodies;
- salaries of the *Permanentes*, of whom there were over 1,000 in 2006 being paid 300 Mtn per month each;
- salaries of 'activists' – local level staff members – of whom there were 250 in 2006 being paid 700 Mtn per month;
- per diems of the police contingent who accompany INAS personnel to the Payment Posts (50 Mtn each per trip);
- per diems of INAS officials on fields trips at 1,500 Mtn per day each, perhaps 4000 visits being required per month to *barrios* for one reason or another across the programme.

The cost efficiency of PSA can be approximated by taking the budget figures for delivery of the programme in 2006 and 2007 and comparing these to the estimated annual value of the cash transfers, assuming that recipients on average receive a monthly transfer of 100 Mtn each. For 2006, the total budget was Mtn 164.2m (US\$6.3m) for an estimated cash transfer of Mtn.116.4m (US\$4.5m), thus US\$1.41 was required to deliver US\$1.00 benefit. For 2007, the total budget was Mtn 188.6m (US\$7.3m) for an estimated cash transfer of Mtn 122.2m (US\$4.7m), implying US\$1.55 required to deliver US\$1.00 benefit. The 2007 figure may understate the true level of cash transfers that occurred, since the recipient number on which the calculation is based is for March 2007 rather than the mean number for the whole year. On the other hand, figures for both years may underestimate the true cost of delivering PSA, depending on the extent to which PSA budget figures factor in (or fail to factor in) the share of INAS permanent personnel and office costs that correspond to the share of PSA in the agency's portfolio of social protection activities. It seems probable on the basis of these figures that PSA as currently organised may be quite an expensive programme to deliver.

Cost effectiveness goes beyond cost efficiency to ask how well a programme achieves its desired outcomes, in this instance providing adequate social support for destitute people. Here, the extremely low level of the transfer is a significant consideration. According to beneficiaries, the amount of the transfer they receive permits them to purchase about two days of their basic food needs. Therefore the transfer makes a minimal contribution to their survival capabilities that must depend on other strategies. One of the reasons that beneficiaries turn up each month despite this meagre level of benefit is that if they fail to do so more than twice in succession their name is removed from the beneficiary list.

### **Market Effects**

One of the concerns about scaled up cash transfers is that they may have an inflationary effect on food prices, especially in years of short supply. However, the scale of the PSA as currently operating is not sufficient to have any effect on food prices, either nationally or in local, mainly urban, environments.

For all cash transfers, the market effect that poses the greatest difficulty is not so much their impact on market prices, but rather the impact of a price rise in the national staple food on the real ability of the transfer to protect recipients from food deficits. In most countries, it is the national maize price that is key, and seasonal and annual instability in the level of the maize price causes uneven and often unpredictable changes in the purchasing power of the cash transfer amount that has been set. This is so also for the PSA, but since it is currently set at a level that only provides about two days of provisions, even a big upswing in the price of maize or rice would make little difference to its impact on the lives of its recipients.

### **Asset Building**

Asset building is not an explicit objective of the Food Subsidy Program. Since the program is targeted towards destitute people who are unlikely to graduate from requiring support, asset building does not really enter the PSA approach as currently implemented.

### **Strengths**

The Food Subsidy Program in Mozambique has recognised strengths, that were confirmed by fieldwork undertaken in two districts in late 2006:

- (i) INAS and PSA represent an unusually long experience in the region of delivering cash transfers to destitute beneficiaries in urban areas in a big country;
- (ii) PSA is broadly successful in its targeting, although with delays in making decisions about individual beneficiaries due to rather cumbersome administrative procedures;
- (iii) INAS and PSA have excellent geographical coverage at province and urban levels, that can be, and are being, relatively easily expanded into districts and rural areas;
- (iv) the system of *Permanentes* who act as the interface between beneficiaries and the state is a real strength, since it provides beneficiaries with a supportive framework at the very local level to assist them with their access to benefits, while avoiding costs that would be incurred by having permanent public sector employees in that role.

### **Weaknesses**

PSA also, of course, has weaknesses, arising partly from being embedded in bureaucratic structures of the state, as well as from ambiguity in government policy towards social transfers of this kind:

- (i) INAS is dependent on annual allocations from the Ministry of Finance for the number of beneficiaries it can cover, and to date this has permitted only a small proportion of potential beneficiaries to be covered, mostly in urban areas;
- (ii) the administrative apparatus for delivering the PSA is somewhat top heavy, and administrative costs are high in relation to the value of the subsidy, although figures put on this are more of a back-of-the-envelope calculation than a strictly accurate accounting of such costs;
- (iii) the current value of the subsidy is so small as to have little impact on the lives of the vulnerable people who receive it, who must consequently fall back on marginal coping

strategies, including begging, borrowing, street trading and appeals for other support from churches etc;

- (iv) the PSA relies heavily on the goodwill of the *Permanentes*, who are remunerated at the trivial rate of Mtn 300 (US\$12.5) per month, and for whom any increase in caseload would need in the future to be treated as proper employment.

### ***Policy Lessons***

The government of Mozambique appears to have an ambivalent view of social transfers, both recognising the necessity for them in over-arching policy documents like the PARPA, but also being suspicious that they could create dependency and result in a permanent drain on government resources. Nevertheless an active debate about social transfers is occurring between some government agencies, donor organisations and NGOs, and it is possible that donors may commit to longer term support for expanding the coverage of the PSA or similar programmes. This would seem a positive way forward since INAS and the PSA represent a powerful capability already in place for scaled-up cash transfers, and the only other examples of this capability in the region are those countries that have pensions provision (South Africa, Swaziland, Lesotho).

At present INAS is examining options for improving the functioning of the PSA and extending its coverage. The potential for reducing costs while increasing the value of the subsidy is being explored in collaboration with the NGO HelpAge, with funding from Dutch aid. The focus is on using community-based committees for beneficiary selection and in payment procedures. A proposal to extend coverage to assist households with orphaned and vulnerable children is being explored with DFID and Dutch aid. In the meantime, internally, INAS is examining options to reduce administrative costs, map current beneficiaries across all INAS schemes, and link the PSA more closely with other INAS schemes.

### ***Source***

Taimo, N.V. and R. Waterhouse, 2007, *REBA Case-Study of the Food Subsidy Programme of the National Institute for Social Action (INAS)*, Maputo and Inhambane, June

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