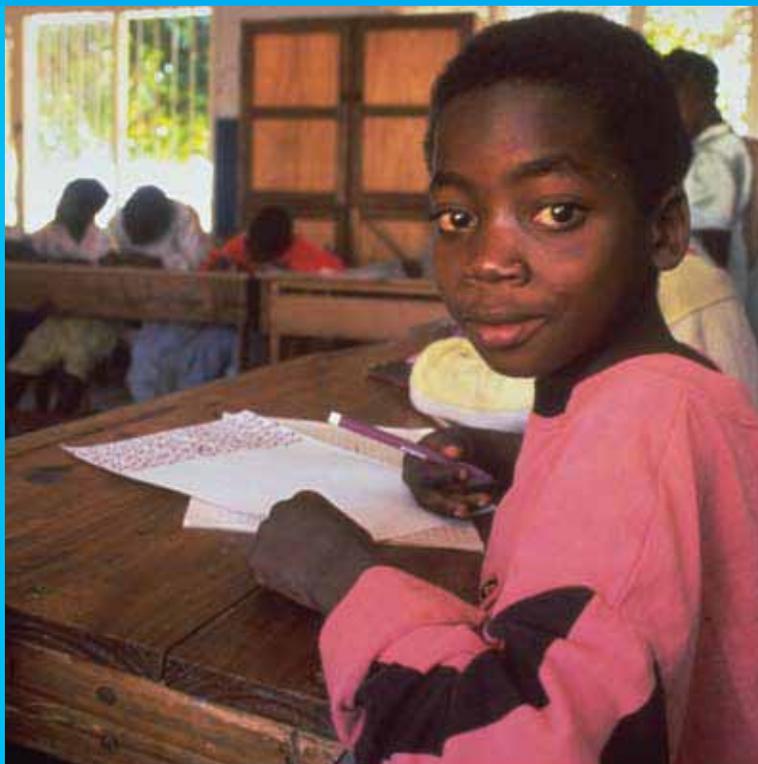


# CHILDHOOD POVERTY IN MOZAMBIQUE AND BUDGETARY ALLOCATIONS

WORKING PAPER



DIVISION OF  
POLICY AND PLANNING  
JULY 2007



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**CHILDHOOD POVERTY  
IN MOZAMBIQUE AND  
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July 2007

**CHILDHOOD POVERTY IN MOZAMBIQUE AND BUDGETARY ALLOCATIONS**  
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## **Executive Summary**

As Mozambique is implementing its second Poverty Reduction Strategy (PARPA II) for the period 2006-2009, this paper examines the situation of childhood poverty in Mozambique by using a deprivations-based measure of childhood poverty (as opposed to the official consumption-based measure) and asks whether budgetary allocations by the Government of Mozambique are favourable to reducing childhood poverty. The paper indicates that given the impact and extent of childhood poverty, State Budget allocations in sectors key to child well-being often do not correspond to the pattern of child development indicators. For example, the provinces presenting the highest levels of childhood poverty - including the provinces of Zambezia and Nampula, in which 40 per cent of Mozambican children live - receive lower allocations for sectors which are key to child well-being, such as health and education, than provinces with lower levels of childhood poverty, such as Maputo City and Maputo Province. It provides a series of recommendations to the Government of Mozambique and its development partners to address this situation, particularly in the health and education sectors.

## **Resumen Ejecutivo**

Mozambique está en proceso de implementar su segunda Estrategia de Reducción de la Pobreza (PARPA II) para el periodo 2006-2009, y este documento intenta examinar la situación de la pobreza infantil en Mozambique usando una medida de la pobreza infantil basada en las deprivaciones, en oposición a la medida oficial de medición de la pobreza basada en el consumo, e intenta aclarar si las adjudicaciones presupuestarias del Gobierno de Mozambique son adecuadas para la reducción de la pobreza infantil. Este documento concluye que dado el impacto y el alcance de la pobreza infantil las adjudicaciones presupuestarias actuales del Gobierno de Mozambique en los sectores claves para el desarrollo infantil a menudo no corresponden con las tendencias mostradas en los indicadores de pobreza infantil. Por ejemplo, las provincias que presentan los índices más elevados de pobreza infantil, incluyendo las provincias de Zambezia y Nampula, donde viven más del 40% de los niños y niñas mozambicanos, reciben menos fondos para salud y educación que otras provincias con mejores indicadores de pobreza infantil. Por último, el documento presenta una serie de recomendaciones al Gobierno de Mozambique y a las agencias de cooperación al desarrollo para mejorar esta situación, especialmente en los sectores de salud y educación.

## **Résumé Analytique**

Au moment où le Mozambique met en place sa deuxième Stratégie de réduction de la pauvreté (PARPA II) pour la période allant de 2006 à 2009, ce rapport examine la situation de la pauvreté de l'enfance dans ce pays en ayant recours à une méthode fondée sur les privations (par opposition à la mesure officielle fondée sur la consommation) et demande si les affectations budgétaires du Gouvernement du Mozambique sont favorables à la réduction de la pauvreté chez les enfants. Ce rapport indique que souvent, compte tenu du degré de pauvreté des enfants et de son impact, les affectations du budget de l'Etat dans des secteurs fondamentaux pour le bien-être des enfants ne correspondent pas aux schémas des indicateurs du développement de l'enfant. Par exemple, les provinces présentant le niveau le plus élevé de pauvreté chez les enfants (notamment celles de Zambezia et Nampula où vivent 40 pour cent des enfants du pays) reçoivent des affectations moins importantes dans des secteurs fondamentaux pour le bien-être des enfants (comme la santé et l'éducation) que celles qui affichent un niveau plus bas de pauvreté enfantine, comme la ville et la province de Maputo. Il fournit une série de recommandations au Gouvernement du Mozambique et à ses partenaires du développement pour résoudre cette situation, notamment dans les secteurs de la santé et de l'éducation.

# Map of Mozambique



# 1. Introduction

As Mozambique is implementing its second Poverty Reduction Strategy (PARPA II) for the period 2006-2009, the rationale for this paper is to examine the situation of childhood poverty in Mozambique by using a deprivations-based measure of childhood poverty (as opposed to the official consumption-based measure) and asks whether budgetary allocations by the Government of Mozambique are favourable to reduce childhood poverty. The paper focuses on the following topics:

- The consumption-based and deprivations-based measures, including methodologies, findings and analysis.
- The budgetary process in Mozambique and aid modalities – highlight of challenges regarding budget analysis due to the high level of off-budget.
- Analysis of budgetary allocations by province in the education and health sectors and comparison with childhood poverty situation at provincial level.
- Provision of recommendations to the Government and development partners for increasing linkages between childhood poverty and budgetary allocations.

## 2. Problem Analysis

### 2.1. Poverty in Mozambique – the consumption-based approach

Mozambique's first Poverty Reduction Strategy Paper, the PARPA I (2001 - 2005), defined absolute poverty as “the inability of individuals to ensure for themselves and their dependants a set of basic minimum conditions necessary for their subsistence and well-being in accordance with the norms of society” (GoM, 2001, p.10).<sup>1</sup> This is consistent with the official national consumption-based poverty measure, by which households' levels of consumption are assessed and compared to poverty lines constructed from a basket of basic foodstuffs conforming to a basic caloric minimum.

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<sup>1</sup> PARPA (Plano de Acção para a Redução da Pobreza Absoluta) is equivalent to Mozambique's Poverty Reduction Strategy Paper (PRSP).

### **Box 1.1: Methodological note on measuring official poverty – the consumption approach**

The consumption based measure, from which the national poverty line is derived, is based on the Household Income and Expenditure Survey (IAF), which is conducted by INE every six years. It was first conducted in 1996/97, followed by a second survey in 2002/03. The latter comprised week-long interviews with a random sample of 8,700 households, including detailed questions on expenditure. It is representative both in terms of space and time, with interviews for each sub-group of the population represented spread evenly throughout the survey year so as to capture seasonality in prices and consumption. The data is then analysed by the Ministry of Planning and Development to determine the national poverty situation through the Poverty and Well-Being National Assessment (GoM, 1998 and 2004).

“Consumption” includes both food and non-food items and is adjusted for seasonality of the former, but omits public services and home produced services. A Cost of Basic Needs (CBN) methodology is then applied. This approach consists of the development of a basket of food items consumed by the poor that is judged sufficient for basic calorie needs (the calorie content of each basket depends upon the demographic composition of the region, averaging approximately 2,100 calorie/day). The cost of this basket makes up the food poverty line. A non-food poverty line is obtained by examining the share of total expenditure allocated to non-food by households living near the food poverty line. The overall poverty line is then calculated as the sum of the food and non-food poverty lines. It must be stressed that the poverty line represents an extremely basic standard of living.

The consumption-based measure, however, has important limitations. It produces a measure of ability to satisfy basic needs rather than actual household consumption – to say a household can satisfy its basic needs is not to show that it actually does so. Due to data restrictions, the measure also provides a household average consumption measure and thus does not capture intra-household allocations, so that some members of a non-poor household may in fact be consumption-poor and vice-versa. Finally, in Mozambique, the final consumption measure is produced on a per capita basis, with no compensation made for differences between child and adult expenditure requirements through the use of adult-equivalence weightings (i.e. the average of 2,100 calorie/day to satisfy minimum needs applies equally to both adults and children). At first sight, this implies that the poverty situation for children may be a little better than that portrayed, as a working adult for example requires a higher amount of calories/day, and hence greater expenditure, than a non-working child. However, since children require a higher intake of micronutrients than adults, maintaining the adult calorific requirement may be a reasonable proxy for measuring a child poverty line using the consumption-based measure. In addition, the proportion of children who work is high. As the Second National Assessment observes, “these issues highlight the need for a variety of poverty indicators taken from a variety of perspectives.”

The indicator measuring the percentage of people living below the poverty line is known as the “poverty headcount”. The headcount measure does not convey information regarding improvements in the well-being of those below the poverty line. In order to measure the depth of poverty – how poor the poor are – the “poverty gap index” is used. This indicator is an average percentage distance that examines how far the average poor household is from escaping poverty or rising above the poverty line. In order to measure inequality amongst the poor, the indicator known as the “squared poverty gap index” is also used. This indicator averages the square of the poverty gaps, thereby giving weight to gains made by the poorest of the poor.

Through this measure, the percentage of the population living below the poverty line (“poverty headcount”) was reduced by 22 per cent between 1996/97 and 2002/03, falling from 69.4 per cent to 54.1 per cent<sup>2</sup> (See Table 1.1). While poverty remains higher in rural areas (55.3 per cent) than urban areas (51.5 per cent), it fell more rapidly in rural areas (decrease of 22.4 per cent) than urban areas (decrease of 19.9 per cent) (See Figure 1.1). Poverty also fell in all but three

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<sup>2</sup> Consumption-based measure is generated through the information collected during the Household Income and Expenditure Survey (IAF) conducted in Mozambique in 1996/1997 and 2002/2003.

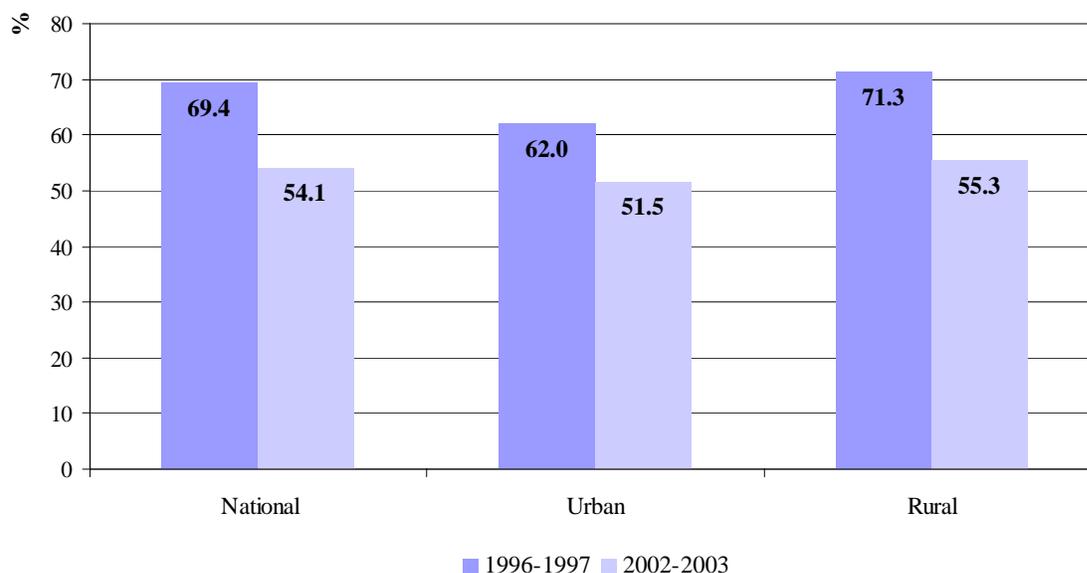
provinces (Maputo City, Maputo Province and Cabo Delgado). The most important reduction occurred in Sofala province, where the incidence of poverty reduced by 59 per cent.

**Table 1.1: Total, adult and child poverty headcounts, 1996/1997 – 2002/2003**

	1996-1997			2002-2003			Decrease in percentage		
	All	Adult	Children	All	Adult	Children	All	Adult	Children
Niassa	70.6	65.5	75.0	52.1	47.5	55.6	-26.2	-27.5	-25.9
Cabo Delgado	57.4	50.3	65.4	63.2	54.1	72.8	10.1	7.6	11.3
Nampula	68.9	62.0	75.0	52.6	47.4	57.2	-23.7	-23.5	-23.7
Zambezia	68.1	60.4	75.0	44.6	39.2	48.8	-34.5	-35.1	-34.9
Tete	82.3	77.2	85.7	59.8	55.9	62.8	-27.3	-27.6	-26.7
Manica	62.6	56.8	66.4	43.6	40.0	46.5	-30.4	-29.6	-30.0
Sofala	87.9	85.2	90.2	36.1	32.6	39.2	-58.9	-61.7	-56.5
Inhambane	82.6	78.5	85.6	80.7	76.9	84.3	-2.3	-2.0	-1.5
Gaza	64.6	62.1	66.4	60.1	55.7	64.0	-7.0	-10.3	-3.6
Map. Province	65.6	64.1	67.3	69.3	65.3	73.6	5.6	1.9	9.4
Map. Cid.	47.8	42.9	51.9	53.6	48.5	59.9	12.1	13.1	15.4
Urban	62.0	57.0	65.7	51.5	47.4	55.5	-16.9	-16.8	-15.5
Rural	71.3	65.1	77.6	55.3	50.5	59.4	-22.4	-22.4	-23.5
<b>National</b>	<b>69.4</b>	<b>63.5</b>	<b>74.4</b>	<b>54.1</b>	<b>49.4</b>	<b>58.2</b>	<b>-22.0</b>	<b>-22.2</b>	<b>-21.8</b>

Source: IAF 1996/97, 2002/03.

**Figure 1.1: Percentage of population living below the poverty line**



Source: GoM 1998 and 2004

Although the northern and central regions of the country enjoyed significant reductions in poverty between 1996/97 and 2002/03, the southern region saw a slight increase in poverty levels, resulting in the highest overall poverty headcount of the three regions in 2002/03. This observed decline in average consumption in the southern region was probably the combined

result of drought in the year before the second 2002/3 survey, the devastating floods of 2000 and the substantial depreciation of the Metical in relation to the South African Rand during the period of the survey.

Despite a strong overall positive trend in poverty reduction, the poor and many of those judged to be just above the poverty line remain highly vulnerable to adverse shocks and as a result, there are likely to be large regional fluctuations in quantitative indicators of poverty from year to year. Sofala province in the central region has been subject to particularly dramatic fluctuations, experiencing severe flooding in advance of the 1996/97 IAF survey, which, together with a spike in food prices at the time of the survey, contributed to its very high observed rates of poverty, which fell dramatically in the second 2002/2003 IAF survey (GoM et al., 2004). As a result, the Sofala poverty headcount leapt from last place in 1996/97 (87.9 per cent) to first place in 2002/03 (36.1 per cent). It is therefore not surprising that, when households in Sofala were later questioned in a qualitative survey, their subjective assessments of their own well-being did not fully endorse the quantitative evidence of progress provided in the household surveys (Mate et al., 2005). What initially seems an impressive reduction in poverty can also be interpreted as a recovery from a large adverse shock<sup>3</sup>.

This finding also raised a debate about the correlation between poverty and HIV/AIDS, as Sofala province is by far the most affected by the AIDS pandemic.

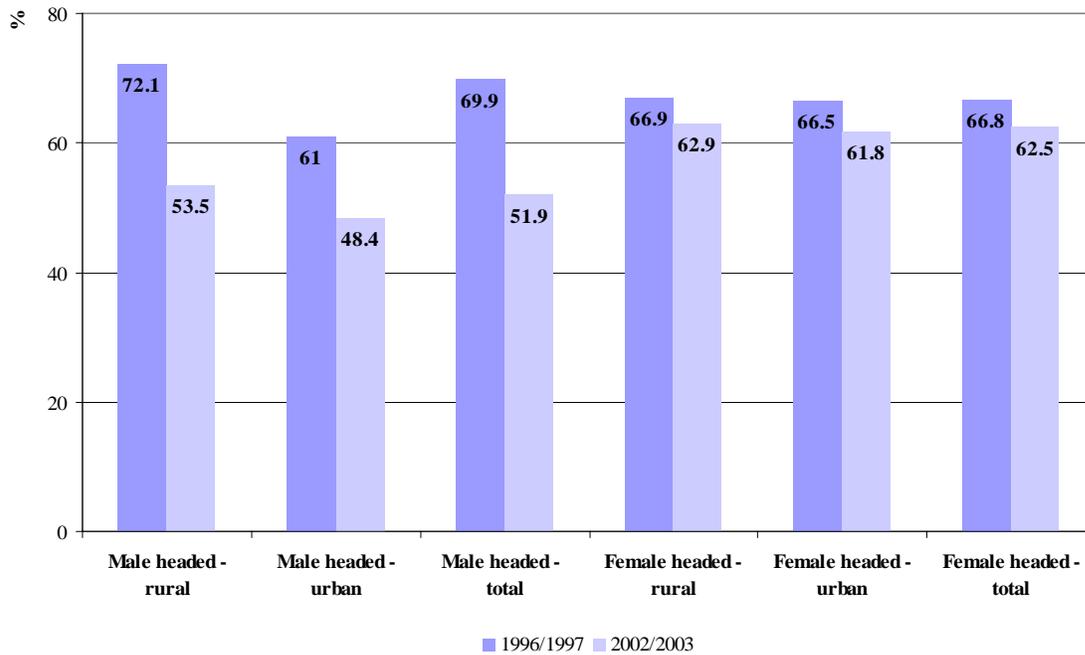
Arndt et al. (2005) show that, on average, there are seasonal variations in household calorie consumption over the course of the agricultural season, and that these are particularly marked in the central region. While the authors find that most households are able to use food stocks, savings or asset sales to maintain consistent consumption, they find that the ability to do so depends upon household income. The poor find it harder to maintain a steady calorific intake over the year.

Another important indicator showing that the overall poverty reduction did not equally benefit all segments of the population is that poverty reduced much more significantly among male-headed households than female households. Female headed households represent about 30 per cent of all households in Mozambique (IFTRAB 2004/2005). While poverty reduced by 26 per cent in male headed households (from about 70 per cent in 1996/97 to 52 per cent in 2002/03), it only reduced by 6 per cent in female headed households (from about 67 per cent to 63 per cent between 1996/97 to 2002/03) (See Figure 1.2).

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<sup>3</sup> This vulnerability has led some authors to advocate the inclusion of a measure of the *threat* of poverty in order to capture this *ex-ante* risk to households – see for example Calvo and Dercon (2005).

**Figure 1.2: Percentage of household living below the poverty line according to male headed and female-headed households**



Source: GoM et al. (1998) and Chiconela (2004).

This is particularly worrying, as orphaned children are largely found in female headed households. The 2004/2005 IFTRAB<sup>4</sup> indicated that 54 per cent of all orphaned children were living in households headed by women compared to 46 per cent in households headed by men.

Intra-household inequality, though not easily assessed, is also of particular concern in relation to children. A recent study by Nhate et al. (2005) examines potential discrimination in resource allocation within households against children who are not biological descendants of the household head<sup>5</sup>. The rationale behind the study is that the AIDS pandemic is significantly increasing the number of orphaned children and that many will reside in families where the household head is not their biological parent. Government policy is based on the extended family being the first preference in care for orphans and institutionalisation of children being a last resort (GoM, 2004a). The authors' results point to discrimination within poor households in the intra-household allocation of resources against children who are not the direct biological descendants of the household head. This discrimination is identified at the national, rural, and urban levels. AIDS is likely to aggravate the problem over the next decade by substantially increasing the number of children requiring care from neighbours, friends, and relatives due to the death of one or more of their parents. The authors conclude that assistance should be targeted towards children who are not the biological descendants of the household head, particularly those who are only attending school irregularly, if at all.

<sup>4</sup> Labour Force Survey conducted among 16,000 households in 2004/2005

<sup>5</sup> While it is not normally possible to distinguish between household members using IAF data, the authors manage to do so by examining changes in expenditure on adult-goods following the addition of an extra child to the household – the “outlay equivalence” method (Deaton *et al.*, 1989).

## 2.2. Childhood poverty in Mozambique

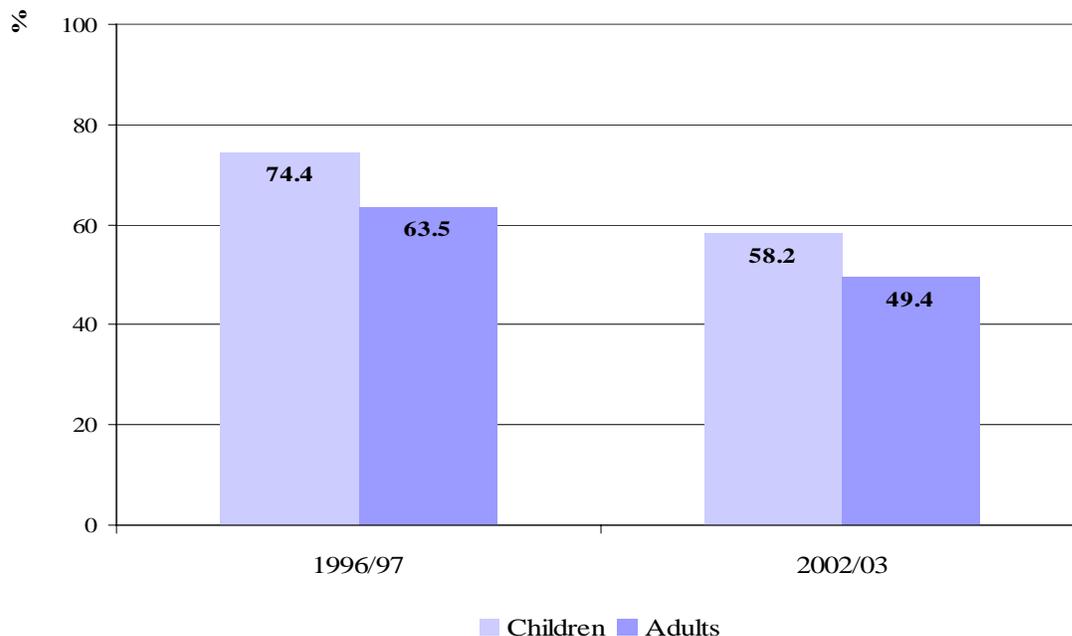
In addressing childhood poverty, it is vital to analyse whether the above picture in relation to overall poverty in Mozambique reflects the picture for childhood poverty. This is done in two ways. Firstly, estimates of childhood poverty are presented drawn from the IAF using the official consumption-based measure. Secondly, childhood poverty is assessed using the Bristol Indicators, adapted for Mozambique.

### (i) Consumption-based measurement

Child poverty headcount estimates were prepared based on the two household surveys. As noted above, the IAF does not measure the allocation of resources within the household directly and therefore measures apply only to an "average" household member. Thus, every child that lives in a household categorised as non-poor is considered to be non-poor.

In line with national trends, the consumption-measure indicates that the level of child poverty decreased significantly between 1996/1997 and 2002/2003. It also indicates, however, that the level of poverty among children remains significantly higher than among adults, with 58 per cent of children living in poverty compared to 49 per cent among adults in 2002/2003. Further, the gap between children and adults did not close between 1996/1997 and 2002/2003, with both groups witnessing a decrease of 22 per cent in poverty level. The decrease in poverty levels was more pronounced in rural areas (decrease by 24 per cent) than in urban areas (decrease by 16 per cent) (See Figure 1.3).

**Figure 1.3: Children and adults living below the poverty line**



Source: IAF, 1996/7 and 2002/3

Considerable disparities exist between provinces, with the percentage of children living in poverty increasing over the period 1996/1997 to 2002/2003 in Cabo Delgado province, Maputo province and Maputo City. In these three provinces, poverty among children increased more than among adults. In Maputo province, the gap between children and adults is notable, with the percentage of children living in poverty increasing by 9 per cent compared with only 2 per cent among adults.

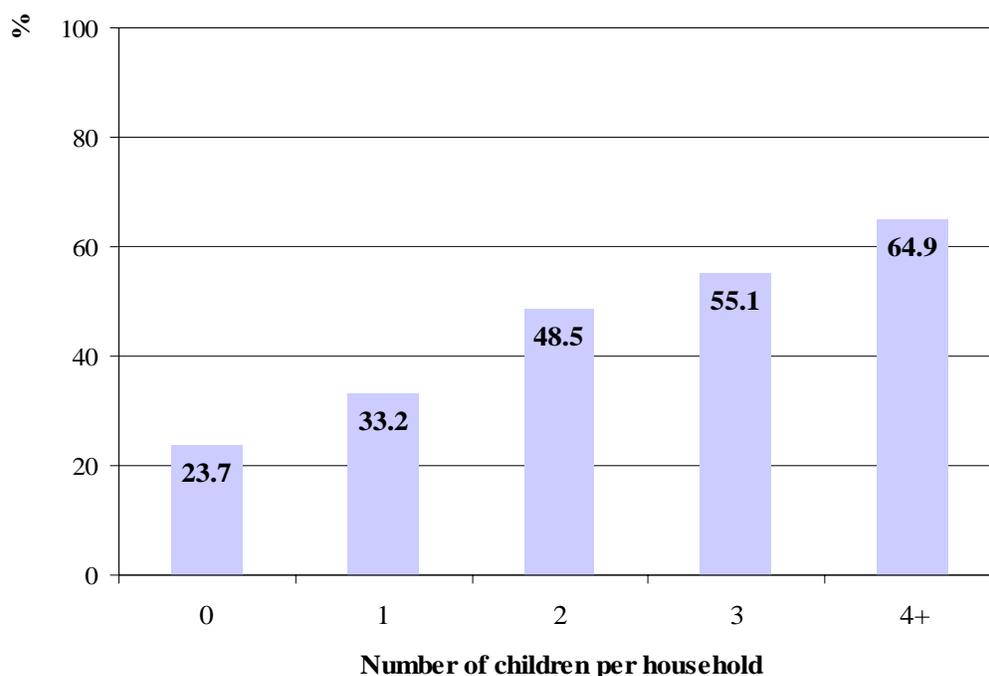
There is a strong negative relationship between the number of children in a household and per capita consumption within the household (See Table 1.2 and Figure 1.4). This is because the greater the number of children in a household, the higher the dependency ratio and the lower the average consumption levels possible for a given household budget. Wealthier households also tend to have fewer children.

**Table 1.2: Poverty headcount disaggregated by household size, 1996/1997 – 2002/2003**

Number of Children in Household	Poverty Headcount (%)		
	1996/97	2002/03	Difference
0	27.3	23.7	-13.2
1	46.5	33.2	-28.6
2	61.0	48.5	-20.5
3	75.9	55.1	-27.4
4+	81.9	64.9	-20.8

Source: IAF, 1996/97 and 2002/03

**Figure 1.4: Households living below the poverty line by number of children in the households**



Source: IAF, 1996/97 and 2002/03

## **(ii) Deprivations-based measurement**

In Mozambique, many observers proposed that the poverty definition in the PARPA I should be supported by more multi-dimensional measures in order to present a broader, more pluralistic analysis and support rights-based analysis. This view was formally adopted by the Government in the country's second Poverty Reduction Strategy Paper, the PARPA II (2006 - 2009). While reporting on the consumption-based measure in its poverty analysis, PARPA II adopts a new definition of poverty, defined as: "Impossibility, due to incapacity or through lack of opportunity of individuals, families and communities to have access to minimum conditions, in accordance with the norms of society." PARPA II also explicitly recognises that it is important not to be over reliant on any one poverty measure, stating that: "For purposes of policy decisions, poverty was initially considered as the lack of income – money or negotiable goods – necessary to satisfy basic needs. Because this monetarist definition did not cover all the manifestations of poverty, the definition was broadened over time to cover such aspects as a lack of access to education, health care, water, and sanitation, etc." (GoM, 2006, p. 8).

In line with this new approach, this paper presented here uses a "deprivations-based" measure of childhood poverty. The indicators used to quantify this measure were originally developed for UNICEF by a team at the University of Bristol – hence they are often referred to as the Bristol Indicators – and presented in the report 'The Distribution of Child Poverty in the Developing World' (Gordon et al., 2003). The Bristol indicators are based on the 'deprivation approach' to poverty, drawing upon the definition of absolute poverty agreed at the World Summit for Social Development, as "...a condition characterised by severe deprivation of basic human needs" (United Nations, 1995).

The indicators comprise seven measures of severe deprivation: food, safe drinking water, sanitation facilities, health, shelter, education and information. They define the proportion of children living in absolute poverty as those children facing two or more types of severe deprivation. One reason for adopting this multiple deprivation threshold for absolute poverty is that, in rare cases, single severe deprivations could result from causes other than a lack of sufficient resources over time. For example, severe anthropometric failure can result from ill health rather than from lack of income (Gordon et al., 2003: 45). The indicators are also designed to improve international comparability of national childhood poverty estimates.<sup>6</sup>

Developing a universal set of indicators for all poor countries is, however, unrealistic. Therefore, in this paper, the Bristol Indicators have been adapted to reflect the context of children in Mozambique, whilst avoiding a degree of alteration that would prevent indicative international comparisons. The indicators used in this paper are shown in Table 1.3.

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<sup>6</sup> See Deaton (2001) for a discussion of international comparability of poverty estimates.

**Table 1.3: Deprivation-based indicators for Mozambique**

<b>Form of Severe Deprivation</b>	<b>Indicator</b>	<b>Associated CRC Article</b>
Severe Nutrition Deprivation	Children under five years of age whose heights and weights for their age are more than -3 standard deviations below the median of the international reference population, i.e. severe anthropometric failure	Health: combat of disease and malnutrition 24 (2) (c)
Severe Water Deprivation	Children under 18 years of age who only have access to surface water (e.g. rivers) for drinking or who live in households where the nearest source of water is more than 30 minutes away	Health: provide clean drinking water 24 (2) (c)
Severe Sanitation Deprivation	Children under 18 years of age who have no access to a toilet of any kind in the vicinity of their dwelling, including communal toilets or latrines	Health: support hygiene and sanitation 24 (2) (e)
Severe Health Deprivation	Children under five years of age that have never been immunised or those that have suffered from a severe episode of ARI that was not treated	Health: right to health and health facilities, combat of disease and malnutrition 24 (1)/(2)(c)
Severe Shelter Deprivation	Children under 18 years of age living in dwellings with more than five people per room (severe overcrowding)	Standard of Living: measures to provide housing 27 (3)
Severe Education Deprivation	Children aged between 7 and 18 who have never been to school and are not currently attending school	Education: compulsory free primary education 28 (1) (a)/(b)
Severe Information Deprivation	Children aged between 5 and 18 with no possession of and access to radio, television, telephone or newspapers at home	Information: access to information 13/17

*Sources:* Adapted from Gordon et al. 2003 by UNICEF Mozambique.

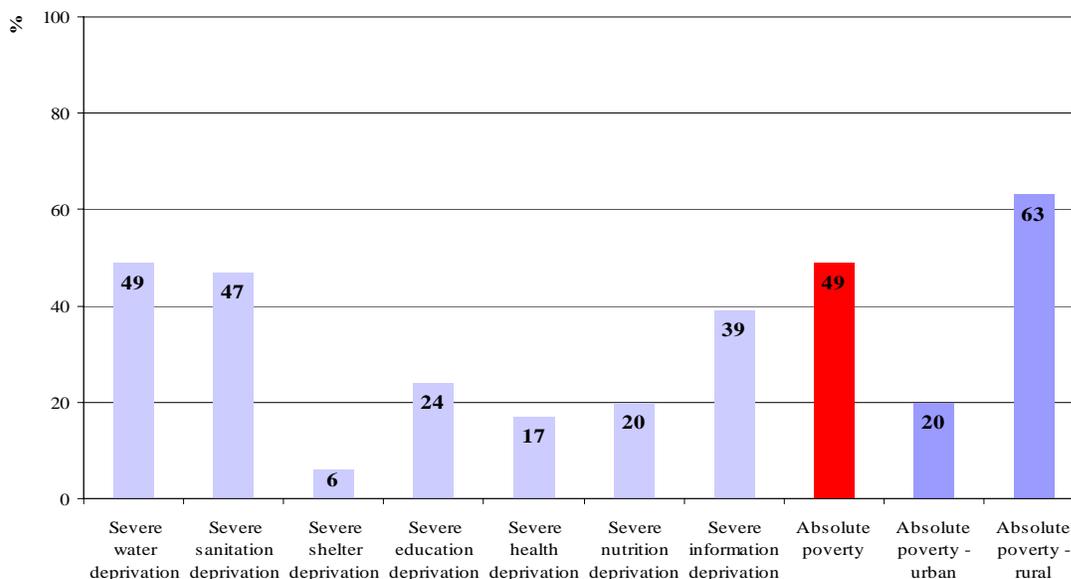
All measures of poverty have their limitations and the deprivations-based approach is no exception. Of particular importance is the question as to whether to assign weightings to different deprivations to reflect their relative importance. For example, one might consider the lasting benefits of immunisation (part of the severe health deprivation indicator) to be substantially more important than access to a radio at a given time (a component of severe information deprivation), particularly given that children may be able to access radios in neighbouring households. The analysis presented has ascribed equivalent weights to all deprivations. This is done in part to maintain a degree of indicative comparability both internationally (the standard methodology developed by Gordon et al. does not use weights) and over time, and in part because ascribing specific weight to one or another deprivation would be highly subjective.

The deprivations-based approach does, however, have some inherent strengths. The consumption-based measure of poverty does not capture consumption of key public services, while the deprivations approach, at least to some extent, is able to do so. This is highlighted particularly sharply by the contrasting results of the respective measures for the nation's capital, Maputo City. An added advantage of this is that the link between stakeholder resource allocation, actions and the resulting changes in childhood poverty is made much more explicit. For example, the increased allocation of funds toward rapid expansion of immunisation programmes would have an immediate and direct impact on child poverty under the deprivations-based measure, but would feed through to the consumption-based measure somewhat more slowly.

Finally, the inclusion of access to basic services reveals far greater differences between rural and urban households in comparison with the consumption-based measure mainly due to the very low population density in rural areas, which makes the provision of public services much more costly. However, as Filmer and Pritchett (2001) observe, this means that urban-rural comparisons using poverty measures that include access to services should be treated cautiously because they capture systematic differences resulting from a household's urban/rural status. They should therefore be complemented by the consumption-based measure to try to overcome this difficulty.

Under the standard definition of absolute poverty, children are defined as living in absolute poverty if they face two or more severe deprivations. By this measure, the proportion of Mozambican children living in absolute poverty in 2003 was 49 per cent, with significant disparities between urban (20 per cent) and rural (63 per cent) areas, and between children from the poorest households (i.e. the first wealth index quintile) with 90 per cent absolute poverty, contrasted with 4 per cent among the best-off quintile (fifth wealth index quintile) (See Figure 1.5 and Table 1.4).

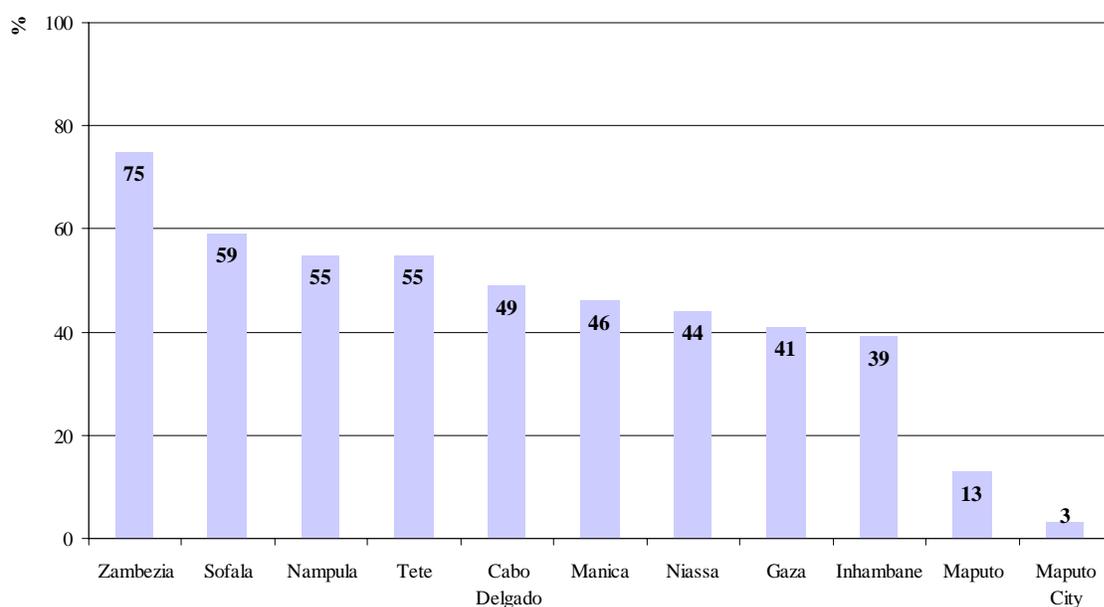
**Figure 1.5: Severe deprivation and absolute poverty among children - 2003**



Source: INE/MPD/UNICEF 2005, additional analysis of the 2003 DHS

Breaking the deprivations measure down by province reveals that the proportion of children living in absolute poverty is highest in Zambezia (75 per cent), followed by Sofala (59 per cent), and Nampula and Tete (55 per cent) (See Figure 1.6). Maputo City emerges as having by far the lowest levels of poverty based on this measure. These results contrast strikingly with those produced by the consumption-based measure. In particular, Maputo City only recorded 3 per cent childhood poverty on the deprivations-based measure, as opposed to 60 per cent under the consumption-based approach. Maputo Province showed a similarly vast gulf between the two estimates. This is explained by the fact that the consumption-based approach does not directly capture the consumption of public services such as health, education, water and sanitation, which are likely to be particularly concentrated in urban areas and in particular around the seat of national Government.

**Figure 1.6: Absolute poverty among children by province**



*Source:* INE/MPD/UNICEF 2005, additional analysis of the 2003 DHS

The deprivations-based measure also indicates that there is no difference between levels of deprivation for girls and boys. However, analysis of specific severe deprivations indicates that girls are more severely deprived than boys in terms of education. There is also a correlation between the level of education of the head of the household and the incidence of poverty among children. For example, in households where the head has no education, 68 per cent of children live in absolute poverty compared with 11 per cent in households where the head has secondary or higher education.

Recalculating the absolute measure by three, rather than two deprivations shows that that 21 per cent of children at national level (7 per cent in urban areas and 28 per cent in rural areas) are living with three or more deprivations (See table 1.4). By this measure, children in Zambezia province are also the most affected, with 39 per cent facing three or more severe deprivation. In the poorest households (i.e. those in the lowest quintile of the DHS wealth index), more than half

of children are facing three or more deprivations (52 per cent) compared to almost none in the wealthiest households. 5 per cent of children are facing four or more types of severe deprivation. Once again, Zambezia is the province worst affected with one in every ten children facing four or more types of severe deprivation.

**Table 1.4: Children with two, three and four severe deprivations**

	<b>Percentage of children living with two or more severe deprivations (absolute poverty)</b>	<b>Percentage of children living with three or more severe deprivations</b>	<b>Percentage of children living with four or more severe deprivations</b>
<b>Province</b>			
Niassa	44	17	3
Cabo Delgado	49	17	2
Nampula	55	24	5
Zambézia	75	39	10
Tete	55	24	6
Manica	46	19	3
Sofala	59	25	5
Inhambane	39	16	3
Gaza	41	14	2
Maputo	13	3	0
Maputo Cidade	3	0	0
<b>Areas of Residence</b>			
Urban	20	7	1
Rural	63	28	6
<b>Sex</b>			
Male	49	21	4
Female	49	22	5
<b>Level of education of the household head</b>			
No education	68	33	8
Primary education	45	18	3
Secondary and higher	11	3	0
<b>Wealth index quintile</b>			
Poorest	90	52	13
Second poorest	79	35	7
Middle	44	12	2
Second best-off	25	5	0
Best-off	4	0	0
<b>Total</b>	<b>49</b>	<b>21</b>	<b>5</b>

Source: INE/MPD/UNICEF 2005, additional analysis of the 2003 DHS

### **2.3. The budgetary process in Mozambique and aid modalities**

It is critical to understand mechanisms for budget allocations as these mechanisms have a direct impact on childhood poverty reduction. The budget cycle in any given year can be divided into three broad phases: (i) appropriation for the coming year; (ii) execution of funds in the present year and; (iii) reporting, auditing and evaluation for the previous year (and often for earlier years as well) and for the first half of the present year. Appropriation includes the formulation and approval of the State Budget (known in Portuguese as the Orçamento do Estado, or 'OE'), which is produced on an annual basis, and the nascent Medium-Term Fiscal Framework (known in Portuguese as Cenário Fiscal de Médio Prazo, or 'CFMP'), which projects the overall resource envelope for the next three years.

At sectoral level, the planning and budgeting process entails participation in the production of the national level plans and budgets as well as specific sector instruments. The latter are particularly important in sectors receiving large amounts of aid and in which donors have adopted a joint Sector Wide Approach (SWAp) with pooling of much of their support in Common or Basket Funds (education, health, agriculture, roads, water and HIV/AIDS). The planning and budgeting process for year  $n + 1$  in these sectors is typically conducted later in the year using different methodologies when compared to the national documents that go before the Council of Ministers and Parliament.

While children's rights are well featured in PARPA II, it should be noted that the linkages between priority actions and the budget envelope foreseen remain weak. For example, the budget envelope for the Ministry of Women and Social Action (responsible for co-ordinating the national response to the orphan crisis created by the HIV/AIDS pandemic) is not expected to increase significantly over the period 2006 to 2009, remaining at below one per cent of budgeted resources in medium-term projections (GoM, 2006a).

A key cause of these weaknesses is the problem of 'double fragmentation' highlighted by de Renzio & Sulemane (2006). The term refers, firstly, to the duplication of planning and budgeting systems between the sectors and the central agencies due to the external financing available at sectoral level (through SWAps, for example), particularly in key child-related areas such as health and education. This undermines the CFMP and the State Budget as instruments for making strategic resource allocation decisions.

Officially, the Ministry of Planning and Development is charged with the coordination of other Government medium- and short-term planning documents (including the Government Five-Year Plan, the PARPA and the CFMP) and conducting overall monitoring of Government performance, with budgeting lead by the Ministry of Finance<sup>7</sup>. The sectors, however, retain very strong de facto roles in planning and budgeting. In particular, those that receive a large portion of their funding through external assistance retain a large degree of autonomy from the Government's central agencies. Until recently the majority of these funds were not recorded in

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<sup>7</sup> The two institutions used to be merged within a single Ministry but were divided during 2005 and many of the operational aspects of the division have yet to be worked through. The CFMP, for example, is a highly collaborative effort with significant input from both ministries.

the State Budget. A concerted exercise to place the majority of donor funds “on-budget” is presently underway. The shift in sectoral donor funding away from an exclusively project based approach towards SWAPs and Common Funds within the key sectors (which has strengthened the role of the sectoral Planning Directorates) has also helped. Additionally, the CFMP had also been limited until recently in the sense that it was a purely technical document for internal planning within the Ministry of Finance and the Ministry of Planning and Development. Importantly however, it was submitted to and approved by the Council of Ministers for the first time in 2006.

The second aspect of ‘double fragmentation’ is the separation between planning and budgeting institutions (the Ministry of Planning and Development and the Ministry of Finance), which is also reflected in the division between the planning and budgeting instruments (PES and OE, BdPES and REOE). In particular, the State Budget does not relate strongly to the PES as it is formulated in an incremental, input-focused manner. Categories include what each institution can spend on salaries, goods and services, rather than specific outputs as detailed in the PES.

There is also a third level of fragmentation, between planning instruments submitted to parliament and those that comprise the ‘contract’ between Government and donors. Thus, in the medium-term, the PARPA (unlike the Five-Year Plan) is not submitted for Parliamentary approval. There is therefore a bifurcation of accountability, with the Five-Year Plan being accountable to the Parliament and the PARPA to donors. This is reflected on an annual basis by the division between the PES/BdPES and the donor-government review processes. This division of accountability undermines accountability of the executive to the public, and may also reduce the demand for participation (Hodges and Tibana, 2005). Thus, one could say that there exists, in fact, a system with ‘treble fragmentation’. To resolve this tension, the Government has decided to merge, starting 2009, the PARPA with the Five-Year Plan, thereby avoiding the production of two distinct medium-term planning instruments that are accountable to separate institutions.

Parliament’s capacity to scrutinize planning and budgeting instruments is also weak. Under the 1990 Constitution, the Parliament is responsible for “deliberating on the Plan and the State Budget and the respective Execution Report” (Article 135). By law, the Government has to submit the PES and OE proposals to the Parliament by the end of September, so that they can be debated and approved during the Parliament’s second session of the year, which ends in December. Although the Parliament plays the formal role in debating and approving the budget, and can therefore influence resource allocations for children, the capacities of the parliamentarians are very weak.

In terms of execution, funds are released on a monthly basis and then reported and replenished (an “imprest” system). Liquidity constraints and bureaucratic hold-ups often lead to delays in releasing funds. It is also worth noting that there is substantial scope for reallocation of funds, so that what is executed often bears little resemblance to what was agreed by the Parliament. Whilst allocations do target “priority sectors” that are favourable to children’s needs, there are insufficient guarantees that the details of planning and resource allocation within a sector will adequately guarantee that all areas within the sector are covered. This may arise due to gaps between policies within a sector, as for example is the case for newborn infants, whose health needs were not covered in either maternal health care policy (to point of delivery) or in

Integrated Management of Childhood Illnesses (IMCI), which until recently targeted children of over seven days old.

Secondly, sectors lack the capacity to carry out detailed costings of the different policies and plans. Thus, policies and plans are developed with no detailed reference to the resources needed for implementation. For example, until very recently the Ministry of Education and Culture's report on teacher needs requirements to meet sectoral targets lacked a sound analytical basis. Mechanisms for prioritisation between various areas within a sector are unclear and may be inconsistent. This in turn impedes allocation of sufficient resources to implement child-friendly policies.

As the deprivations-based approach to poverty measurement emphasises, spending in areas such as health, education and water is essential to reducing childhood poverty. These are areas where external assistance is heavily concentrated. Since Mozambique is Africa's single biggest recipient of international development assistance, receiving more than other post-conflict countries such as Uganda and Ethiopia (IMF, 2005), **external aid flows have a substantial bearing on child development outcomes**. The way this assistance is delivered is now changing, with a clear and concerted move towards increased harmonisation and alignment of donor activity centred around the PARPA process together with an interrelated move towards more flexible aid modalities such as sector Common Funds and Government-wide General Budget Support (GBS). Understanding these changes is therefore central to child development because it is intimately linked with not just how much will be spent on children but also how effective and sustainable those interventions are likely to be and therefore how successful the Government and its partners will be in sustaining the broadly positive child development trends observed since 1992.

There are two principal drivers behind the profound changes underway in how external development assistance is provided to Mozambique and other recipient countries. Firstly, it is recognised that Government ownership and leadership – for example in making strategic resource allocation decisions – is essential for the sustainability of the development process. Overall assessment of performance coupled with measures to improve the universality of the Government's planning and budgeting instruments addresses some of the difficulties of fragmentation and gaps in coverage. At the policy level, greater harmonisation and alignment should also reduce the tendency to subject Government to a vast and often competing array of recommendations, thereby producing 'reform fatigue'.<sup>8</sup>

Secondly, current changes in how external development assistance is provided are a direct result of the dramatic development progress realised. The drive to expand in the service delivery sectors – where much aid is concentrated and which have direct impacts on children's lives – is increasingly competing with the need to increase or at least maintain the quality of existing services such as health, education and water and sanitation (GoM and PAP, 2006). As a result, current budgets for salaries and goods and services are straining under the conflict between the

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<sup>8</sup> For example, the 2004 Fiduciary Risk Assessment noted that, in the field of public finance management alone, donors and funding agencies had made no less than 280 recommendations in various studies and reports between 2000 and 2003 (Scanteam, 2004). The common practice of referring to the need for "second-" and "third-generation" reforms is indicative of this problem too.

need to finance the operation of expanding systems and the need to respect the fiscal constraints required to maintain hard-won macroeconomic stability.

## 2.4. Analysis of Budget allocations and execution rates 2002-2005 for Health and Education

### (i) Health Sector

While treating the data with caution, the global picture indicates that between 2002 and 2005 total budgeted resources for the Ministry of Health increased by a dramatic 108 per cent, from around US\$165 million to an estimated US\$344 million – a rise from 4.3 to 5.2 per cent of GDP.

**Table 1.12: Ministry of Health budget allocations, 2001 – 2005**

	2001	2002	2003	2004	2005
Total Ministry of Health Budget (US\$ million)	165	178	209	253	344
Growth Rate (% change on previous year)	n/a	7.6	17.8	20.9	36.0
Inflation (% , annual average) (expressed as a % of GDP)	9.1	16.8	13.5	12.6	6.4
Total Ministry of Health Budget	4.5	4.3	4.4	4.3	5.2
Ministry of Health funding in the State Budget* (expressed as a % of Total State Budget)	1.9	1.9	1.8	1.6	2.6
Total Ministry of Health Budget	23.6	14.7	17.8	19.2	21.3
Ministry of Health funding in the State Budget (expressed as a % of Total Health Budget)	10.0	6.3	7.5	7.3	10.6
State Budget	42.4	43.2	42.3	37.9	49.5
Recurrent Expenditure	37.7	39.1	38.1	34.5	32.0
Common Funds	10.0	11.5	17.7	25.0	44.2

Note: \*State Budget funding comprises recurrent and investment expenditures captured in the OE.

Sources: Adapted from Ministry of Health (2005, p. 53), Ministry of Health (2006) & MPD/MF data (inflation & GDP).

There have thus been consistent annual increases in the total Ministry of Health budget, which has grown by, on average, 21 per cent per year over the period in nominal terms (compared to an average annual rate of inflation of 12.3 per cent). This has been comprised of strong average increases in both the recurrent and investment components of the State Budget (averaging 22 per cent and 37 per cent per annum respectively), although the investment budget has fluctuated a great deal more than the recurrent budget, as one would expect.

However, not all donor financing and internal revenues in the sector are captured in the State Budget – there are many “off-budget” funds. Cabral et al. (2005) have estimated that in 2003, 29 per cent of total sector funding was not recorded in the State Budget, 60 per cent was not registered in the Treasury and 44 per cent was not accounted for in the public accounts. This hampers sectoral planning and has prompted efforts by the sector and the Ministry of Planning and Development / the Ministry of Finance to improve the coverage of external assistance in Government Public Finance Management systems. As a result the proportion of external financing in the total sector budget has increased from around 55 per cent to 63 per cent.

The increased share of donor financing in the sector gives added emphasis to the importance of stable and predictable aid flows. At present, several donors in the sector still find it very difficult to commit to the increasingly important common funds more than one year in advance and, as at mid-July 2006, for example, three donors had yet to confirm funds for 2007. The problem is even more pronounced for vertical projects, which often do not provide adequate financial data. This undermines intra-sectoral strategic resource allocation.

The health sector has in recent years experienced difficulties with low execution rates. Sector data indicates that overall budget execution in 2005 was 73 per cent for current expenditure and 22 per cent for investment expenditure (Ministry of Health, 2006). Moreover, budget execution levels vary considerably between provinces and also between central and provincial levels. For example, execution rates varied between 71 – 98 per cent for current expenditure and between 0 – 64 per cent for investment expenditure amongst the provinces in 2005.<sup>9</sup> The problem arises due to slow and unpredictable disbursement of central government funds (which in turn is primarily a result of liquidity constraints), the complex budgetary procedures and schedules for different sources of funds and the difficulties arising from the non-payment of VAT on infrastructure projects by international partners. This issue highlights the importance of a coherent and concerted move to build the capacity of the sector, in particular in the area of planning and financial management at provincial and district levels.

Dividing health funding as reflected in 2005 State Budget by the total estimated population gives a total level of budgeted health funding of around US\$10.0 per capita. PARPA II aims to increase this amount to US\$15 per capita by 2009 (GoM 2006, p. 103). However, if the total Ministry of Health funding in 2005 is used as the numerator, the health budget in per capita terms is about US\$17.7 per person, of which US\$10.4 per person was actually spent (Ministry of Health, 2006).<sup>10</sup> Although this was an increase from the previous year (US\$13.3 per capita budgeted and US\$9.3 per capita spent), it remains less than the recommended “minimum package” to meet basic health needs in low income countries of both the World Bank and World Health Organisation and below the average for Sub-Saharan Africa, which was estimated at US\$31.9 in 2002<sup>11</sup>.

There is significant variation between provinces and districts in terms of resource allocation and expenditure, and allocation of resources is not fully consistent with the health status indicators pattern. Estimated expenditure per person in 2005, for example, varied from approximately US\$2 per person in Zambezia province to approximately US\$5 per person in Maputo City, while this paper has indicated that the highest level of childhood poverty using the deprivation-based measure were in Zambezia provincelowest level were in Maputo City (See Figure 1.7).

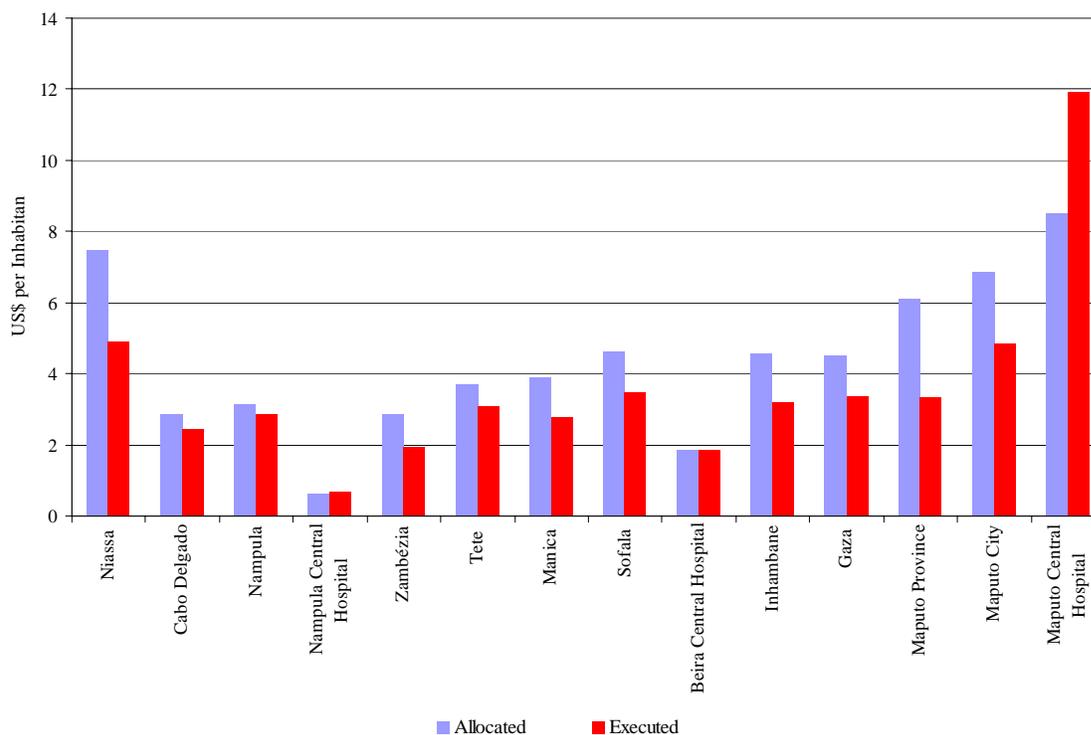
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<sup>9</sup> Much of the information on provincial investments is not available due to a lack of information on external funds, explaining why some provinces realise execution rates as low as zero.

<sup>10</sup> This is based on a total population figure for 2005 of 19.4 million (INE, 2005) and a total sectoral budget figure of US\$344 million, of which US\$202 million was executed.

<sup>11</sup> The World Development Report of 1993 recommended a minimum package of US\$12.00 per capita for low-income countries. Other estimates are: US\$9.24 standard under the “Better Health in Africa” (World Bank, 1994); and US\$35 prescribed by WHO’s Commission on Macroeconomics and Health (WHO, 2002) to meet basic health needs towards the year 2007. The figures for Sub-Saharan Africa are taken from World Bank (2005), Table 2.14 – Health: expenditure, services and use.

**Figure 1.7: Indicative per capita provincial health expenditure, 2005**

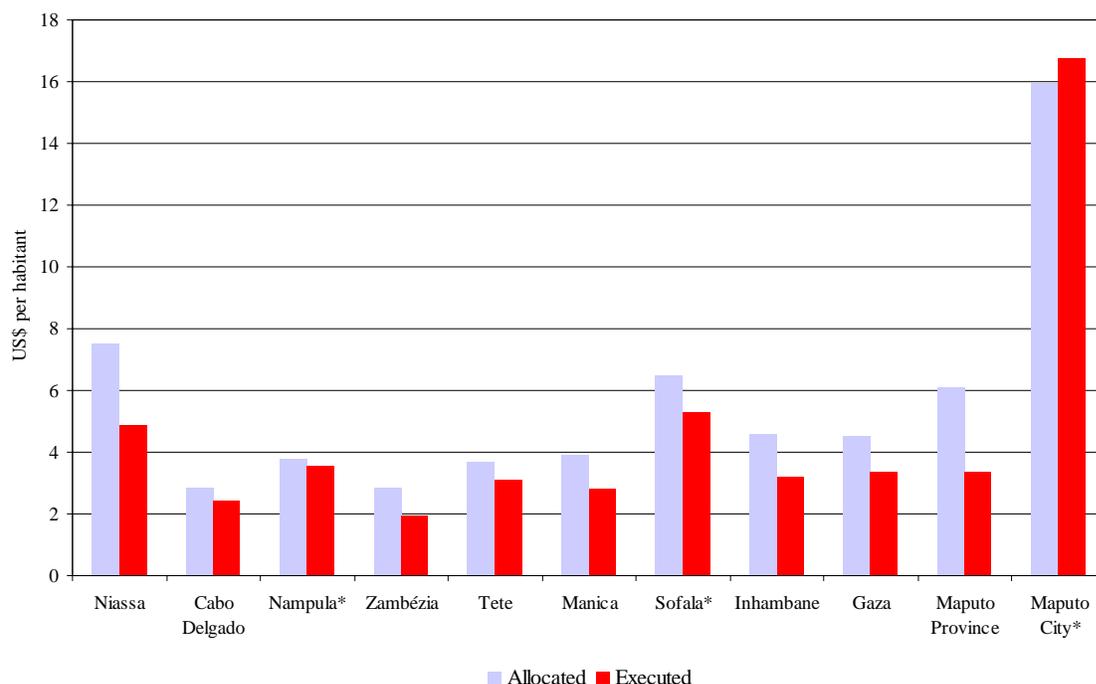


Note: All allocation and expenditure figures include own receipts, recurrent budget, investment budget and provincial common fund.

Source: Adapted by the MPD from Ministry of Health, 2006

Including the Nampula, Sofala and Maputo City Central Hospitals in the provincial figures would produce even greater disparities. This is not common practice in sectoral calculations of per capita expenditures because the Central Hospitals are intended to be of benefit to the entire population in the region, not simply the province in which they are located (Maputo Central Hospital also aims to provide some specialist nation-wide services). Their inclusion is however justified in an analysis focusing on the poorest members of society, who have lower mobility and are often unlikely to seek formal medical attention at all, let alone journey to a hospital in a different province. Were the Central Hospitals to be included in provincial per capita calculations, inter-provincial disparities in health spending would be even higher (US\$ 2 in Zambezia versus US\$ 16 in Maputo City) (See Figure 1.8).

**Figure 1.8: Indicative per capita provincial health expenditure, 2005**



Note: \*Includes Central Hospitals. All allocation and expenditure figures include own receipts, recurrent budget, investment budget and provincial common fund.

Source: Adapted by the MPD from Ministry of Health, 2006

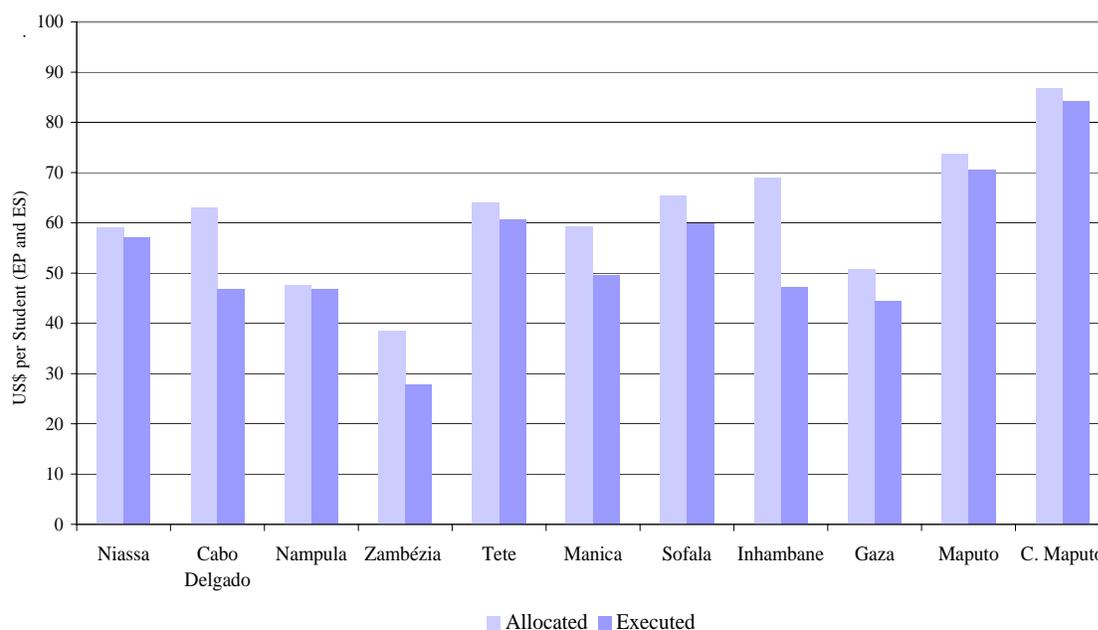
These disparities in budget allocation have been attributed in part to weak links between the health sector's annual planning and resource allocation system, the sub-sectoral strategic plans developed by some directorates and the broader sector-wide planning system, specifically the lack of clear prioritisation of objectives and any attempt at costing within the PESS, which outlines the overall strategy of the health sector. A fundamental difficulty in producing costings within the sector is the lack of information on unit costs.

## (ii) Education

Education financing has been the key to facilitating the rapid expansion of the sector in the post-war period, with an average of 500 new schools constructed and 3,500 new teachers recruited each year since independence. As with the financing of the health sector, a large part of this growth has been driven by external assistance. Global public sector education financing totalled about US\$253 million in 2004, having grown by an annual average of 7.7 per cent in nominal terms over the period 1990 to 2004 and has remained relatively stable as a share of GDP, averaging around 4.7 per cent. Expressed as a share of the total Government budget, education spending stood at 18.9 per cent in 2005, illustrating the priority given to education expenditures by Government. Within recurrent expenditure, salaries make up the vast share, comprising approximately 75 per cent of recurrent expenditures in recent years. As regards the State Budget allocation between levels of the education system, primary schooling (EP1 and EP2) has historically received the overwhelming share of resources (64 per cent of total expenditure in 2004 for example), compared with 14 per cent allocated to secondary education (CGE, 2004).

The Figure 1.9 provides an indication of how funds are allocated by province per student, based upon the total number of students enrolled in primary and secondary education at the beginning of the school year. While these figures can only be regarded as indicative as many external funds will not be captured, it suggests that allocations per student vary quite substantially across the country, with funds executed per student in Zambezia only one third as much as those executed in Maputo City, and therefore substantially differ from the situation of childhood poverty.

**Figure 1.9: Indicative per student provincial education expenditure, 2005**



Source: CGE, Tables VI.9 and VI.28

The structure of financing within the sector has evolved in response to the imperative to rapidly expand primary schooling. The Education for All (EFA) initiative and the achievement of the MDGs remain the top priorities for many sector stakeholders. However, there are growing concerns regarding the need to invest in the post-primary school system (i.e. secondary and technical schools) so as to catch-up with demand for places (for example, there were 70,000 more graduates from the primary system than there were places in ESG1 in 2005) and produce sufficient numbers of qualified teachers to staff primary schools. The quality of education at all levels of the system is also a glaring issue: staffing primary education with teachers meeting the recently agreed “10+1” training level would require a budget share for education of more than 40 per cent, a learner: teacher ratio of over 100 or an undesirable reduction in the primary enrolment ratio (Verspoor, 2006), not least because teachers’ salaries are relatively high.

These challenges in turn demand changes in the financing of the sector, both in terms of the overall resource envelope and in terms of the allocation and type of funding. Various trade-offs are faced inside and outside the sector that need to be considered. Prominent among these is the

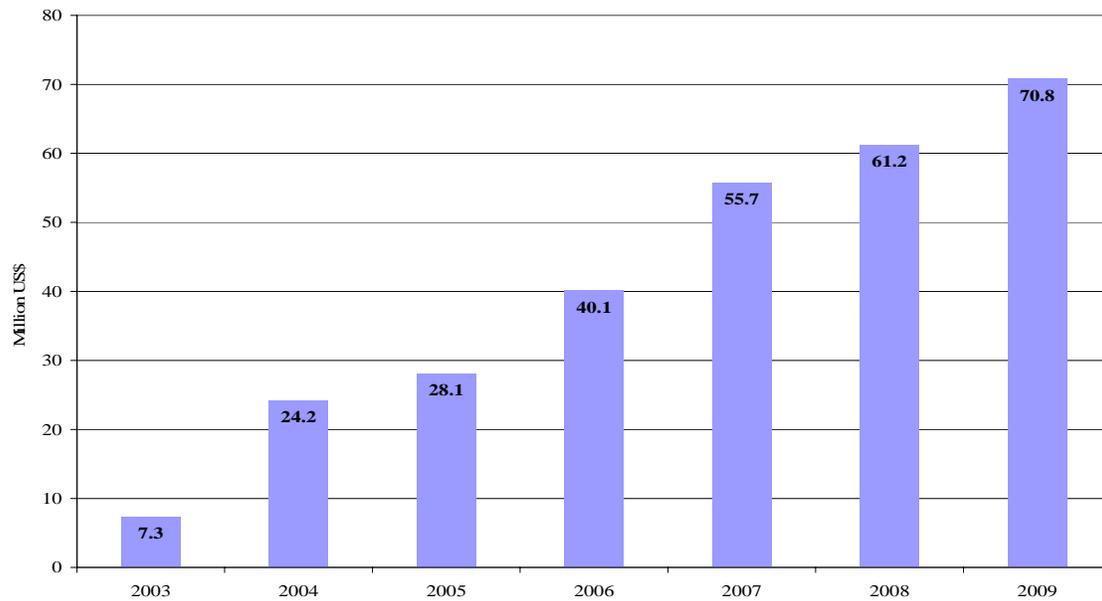
need to build a stable and sustainable current budget allocation for the sector to support sector recruitment and training needs. The current budget is financed predominantly from Government revenues, which are constrained by the size of the tax base and the need to avoid placing too great a burden on the formal sector. Moreover, the need to maintain macroeconomic stability precludes substantial increases in recurrent expenditure, and especially salaries: the IMF programme in Mozambique includes an implicit cap on total government salary expenditure at under 8 per cent of GDP (Arndt, Jones and Tarp, 2006).

The Ministry of Education's request for 11,500 new teachers in the 2006 State Budget was met with sufficient funds for only 4,715 teachers (GoM and PAP, 2006). This was not purely a question of rigid application of fiscal limits. The Ministry of Education and Culture's bargaining position was undermined by a lack of accurate teacher needs projections and the related problems of having no unified teacher training strategy (which was subsequently adopted in November 2005) and contradictory figures regarding the existing numbers of teachers within the public education system. The Ministry of Education and Culture, the Ministry of Finance and the Ministry of State Administration (MAE) each have different teacher numbers figures. A reconciliation exercise is currently underway to address this situation.

Addressing these issues has necessitated a change in the structure and emphasis of external assistance. Aid to education has historically been channelled into discrete capital investment projects, as opposed to recurrent budget activities, and in particular teachers' salaries. This is now changing. As has happened in the health sector, sector budget support through the sector common fund (FASE) has increasingly come to finance programmes of a nature usually financed by the current budget. The FASE is an ever more important channel for donor activities in the sector, financing the Direct Support to Schools programme (ADE), low-cost school construction, book distribution and in-service teacher training (CRESCER) (GoM and PAP, 2005).

The figure 1.10 shows total FASE donor commitments from 2003 to 2009. Funding is set to increase by an average of US\$10.6 million per annum over the period if commitments are delivered. This will help to ensure that the ratio of current spending on goods and services to spending on salaries is maintained at a reasonable level. The second Education and Culture Strategic Plan targets 33 per cent in 2009. Using FASE funds to pay teacher's salaries is not an option, as salaries must be met through the current budget.

**Figure 1.10: Common fund (FASE) donor commitments, 2003 – 2009**



*Source:* MEC

Making the complex financing choices highlighted above is far from straightforward, and simple availability of funds is not the only constraint to increases in the number and quality of teachers – human resources for planning and finance within the Ministry of Education and Culture also require attention. Sector capacity to manage, plan and undertake analytical work for an increasingly complex system remains weak and needs to be addressed (MEC, 2003). For example, teacher needs estimates have to date been submitted to the Ministry of Planning and Development and the Ministry of Finance on an annual basis, derived from requests submitted to the Ministry of Education and Culture from provincial directorates, and the Ministry involvement in the formulation of the CFMP has been limited.

The current costing of the second Education and Culture Strategic Plan shows that there is a finance gap that should inform CFMP negotiations for 2008 and 2009. An argument for additional funding for education could be made considering its contribution to sustaining Mozambique's current growth levels. As primary education currently receives the internationally recommended 50 per cent allocation, increased financing would be channelled to post-primary sectors. There is a danger that if those sectors do not capture increased resources the primary budget will not be maintained.

### **3. Recommendations and Policy Options**

This paper has indicated that measurement of poverty to monitor national poverty reduction effort should not rely on any single measure by showing that the situation of childhood poverty based on consumption measures do not correspond to the situation of childhood poverty based on deprivation-based measures. This paper has also indicated that given the impact and extent of

childhood poverty, it is particularly striking that State Budget allocations in sectors key to child well being often do not correspond to the pattern of child development indicators. For example, the provinces presenting the highest levels of childhood poverty - including the provinces of Zambezia and Nampula, in which 40 per cent of Mozambican children live - receive lower allocations for sectors which are key to child well-being, such as health and education, than provinces with lower levels of childhood poverty, such as Maputo City and Maputo Province.

In order to address this situation, the following general and specific recommendations to the Government of Mozambique and its development partners can be made:

### 3.1. General recommendations

1- Need to **review the criteria used to allocate state budget resources** in order to define province-specific budget formula allocation based on child development indicators and attain a more equitable allocation of the available resources.

2- Need for a **more accurate and efficient method of tracking expenditure** in key sectors for children. Within the context of the ongoing public financial management reform, specifically the roll-out of the integrated financial management system (e-SISTAFE), focus needs to be placed on the disaggregation of budgetary classifiers to monitor investment for childhood poverty reduction in sub-sectors and at the provincial level. In addition, it is important that the Ministries of Planning and Development and Finance take on the public expenditure review function currently being led by the World Bank, so as to strengthen Government's leadership in establishing linkages between allocations, expenditures and outcomes.

3- **Need to use a combination of child poverty measurement** in order to get a more realistic picture of child poverty and hence design adequate policies for poverty reduction, and avoid using just a consumption based measurement.

4- Need for Government sectors to **account better for all the amount of aid received and record aid on-budget**. Strategic planning will be improved if central government knows exactly how much each sector has. This is to avoid fungibility of aid. Knowing the totality of the resources available is a key pre-condition for adequate policy-driven allocation of public funds for children. In this context, there is a need to support more flexible aid modalities in order to protect the sector from fluctuations in allocations of the internal component of the State Budget

5- Need to **establish clearer links between PARPA and the State Budget through the MTEF**. The budget should respond to the needs in the sectors identified in the PARPA as the key sectors for poverty reduction, such as health, education, and women and social action, among others. In this regard, the capacity of sectors to cost their strategic plans need to be strengthened.

6- Need to **strengthen the capacity of the Parliament** to check on the executive on the budget process. Parliamentarians need to have the academic and professional background to be able to fully participate in all the cycles of the budgeting process. At the same time the General Secretariat of the Parliament needs to be adequately staffed to support the budgeting process.

6- Given the disparities between the approved budget and the actual expenditure per sectors it is recommended that the scope **for reallocation of funds should be no more of the 10% of the agreements in the approved plans.**

7- Donors need to commit in a transparent manner, informing well in advance of the funds to be disbursed to the government of Mozambique, via DBS or sectoral common funds. **Predictability of external aid** is key to a robust budgeting process.

### **3.2. Specific recommendations for the health and education sectors**

1- **Use of child-development development indicators to inform provincial budget allocations.** The allocation of resources to the provinces should be consistent with the health/education indicators pattern in the provinces.

2- Based on the analysis of the budget and expenditures of the Health sector it is recommended that a **higher proportion of the budget is used for prevention and primary care**, that mostly benefits mothers and children, rather than in the tertiary care level.

3- In the case of education it is recommended to **build a stable and sustainable current budget allocation to the sector in order to support recruitment of teachers and training needs**, a precondition to expand services with quality for all children.

4- Build the capacities in the areas of human resources, financial management, planning and monitoring at central, provincial and district level. In order to support this **donors need to provide a coherent support to capacity development** and systematic, long term technical assistance based on the priorities of the Education Strategic Plan.

5- Education sector needs to have clear data on teachers, schools, resources needed in order to request the adequate amount of funds to the Ministry of Finance. The staff in the Ministry needs to be capacitated to be able to present clear **costings of the policies** to be implemented.

6- Need to improve **the sectors involvement in the formulation of the Medium Term Fiscal Framework.**

7- A very positive step was taken this year so as to capture more external funds in the budget. However, there still some room for improvement on this issue. The **process, timing and channel to collect aid information should be improved before the next budget cycle.** This is a joint responsibility for Government and international partners.

8- **More flexible aid modalities should also be prioritised in order to protect the sector from fluctuations in allocations of the internal component of the State Budget** and give the central agencies (i.e. the Ministry of Planning and Development and the Ministry of Finance) leeway to make strategic resource allocation decisions. As in the education sector, the recent improvements in the information available to the Ministry of Planning and Development and the Ministry of

Finance regarding total available resources within the sector (resulting from the move to place funds on-budget) need to be complemented with detailed resource planning between the three Ministries to ensure that required levels of internal funding are reconciled with allocations through the CFMP and the State Budget.

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