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Social Protection in Mozambique from the 1990s to the 2000s

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This chapter provides a historical account of the roles of the IMF and the World Bank in shaping social protection programmes in Mozambique. Since the beginning of their relationship in 1984, the Bretton Woods institutions have had a role in designing, implementing, evaluating, and measuring social protection programmes in the country.

Mozambique had been embroiled in war since 1964 when the liberation struggle began. The war was won by FRELIMO (*Frente de Libertação de Moçambique*) in 1974, and it assumed government. In its initial ten years, FRELIMO proposed radical egalitarianism, based on a socialist development strategy (O’Laughlin 1996, 207). Alongside newly independent Angola, Mozambique’s independence was seen as a threat by neighbours South Africa and Rhodesia’s ruling white minority. To counter this perceived threat, Rhodesia funded and trained RENAMO (*Resistência Nacional Moçambicana*), formed by disgruntled rebels who

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disagreed with FRELIMO's ascension to and hold on power. This led to a civil war that lasted from 1975 to 1992.

The Cold War and civil war dynamics led the socialist-inspired FRELIMO to strengthen ties with the Soviet Union. However, a setback to this relationship came in 1981 when the country was denied membership to the Council for Mutual Economic Assistance, the Soviet equivalent of the Marshall plan. Membership would have provided loans, which the state desperately needed to support the social sector and guarantee food rations in urban centres.

The combination of a severe drought with a war that increasingly dominated the countryside, disrupting agricultural and distribution activities made the necessity for international funding ever more pressing (Macamo and Neubert 2006, 66). Poverty increased in the country, leading to growing popular unrest. Membership to the IMF and the World Bank was seen as an alternative for Mozambique to access international funds. The conditions for loans and continued international aid were structural adjustments. They started in 1987 and called for a reduction of state functions and the state's role in society. Hospitals, clinics, and schools were closed or privatised. The government's food subsidies were to be progressively cut and substituted with food aid provided by international humanitarian agencies. Food rationing and state markets were closed in favour of private enterprises.

As a result of all these factors, poverty increased massively, in a way that the country had never seen before (O'Laughlin 1996). Salary cuts were so severe that many civil servants such as doctors, nurses, and teachers, clocked in their official jobs and left to tend their plots in order to have something to eat. Many refugees fled to urban centres to stay with relatives, putting even more pressure on family members' already diminished income (O'Laughlin 1996; Manusse 2005, 2). Poverty became so visible that the UN agencies echoed the Mozambican government's demands for the inclusion of the social dimension in redesigning the structural adjustment programmes.

The IMF and the World Bank began analysing the causes of poverty in Mozambique, bringing in new definitions of poverty. They used statistical analyses to measure where poverty was geographically located, whom it affected the most and its main causes. They also conducted

macro-economic analyses of state income and its budget. The World Bank, especially, was very committed to the addition of the social dimension to structural adjustments and sent consultants not only to the Ministry of Finance but to every other ministry involved with the social protection network to develop state capacity in bureaucratic technologies of rule.

Using these data, they concluded that poverty was an urban phenomenon caused by civil war displacements and adverse effects of structural adjustments. Those who lived in urban areas did not have access to plots for subsistence farming and thus were worse off than their counterparts in the countryside (Manusse 2005).

By 1989, the structural adjustment programme was amended to include a social dimension (WB 1989: 15; WB & IMF 1989). This marked the beginning of the internationally sponsored poverty relief strategies in the country. The food rations system was dismantled and substituted with temporary cash transfers to cushion the adjustment period. This programme was very limited in scope, targeting households in Maputo that were deemed unable to lift themselves out of poverty. The cash transfers were made with the income generated from the sale of the international food aid received. They targeted households of older persons, malnourished children, and pregnant women, and would later be expanded in the mid-1990s to include female and child-headed households (O’Laughlin 1996, 202).

Besides cash transfers, other social protection measures were adopted under the Social Protection Network. These were the *Medicine and Child Food Supplement Subsidies Programme*, offering medication and food supplements for the chronically ill and malnourished children; the *School Supply Subsidies*, providing school supplies to impoverished children; the *School Meals Programme*, offering meals to all students in primary education; a cash transfer programme for low-earning government employees with many family members; the *Milk, Oil, and Sugar Programme*, offering these staples to extremely malnourished individuals, and lastly the *Emergency Programme*, another cash transfer scheme that sought to help displaced persons. These programmes were all established between 1989 and 1990, with different ministries running them (Manusse 2005).

The international community viewed the provision of cash instead of food or in-kind benefits as a better option to reduce poverty. This way, beneficiaries could use the money more efficiently and perhaps even invest it in income-generating activities. However, the value of the cash transfers was generally quite small and sufficed only to meet some of the basic needs.

It is essential to point out that these social protection programmes started a few years before the Brazilian Social Protection Network (which included the *Bolsa Escola* 1995) and the Mexican *Progresá* (1997). They were regarded as the forerunners of cash transfer programmes; the travelling models whose designs were later copied by international organisations as policy recommendations and adopted by many other developing countries (Olivier de Sardan 2018). Leisering 2019), for instance, states that global actors rejected the idea of cash transfers during the 1990s. Moreover, until the year 2000, there was no clear picture of how social protection and poverty reduction strategies might look. The Mozambican case, however, indicates that already during the 1980s and within the context of the first structural adjustment reforms, the government spearheaded social protection measures in the form of cash transfers, with these being taken up by international organisations as well.

By 1995, the Mozambican social protection network needed reformulating. The only programmes still running were the Food Subsidies and the School Supplies programmes, which involved direct cash transfers. The others, all based on in-kind subsidies, were deemed to be less efficient and more costly (Low et al. 1999). International donors pressured the Mozambican government to scale up the food subsidies to reach more people in other urban centres. This expansion happened amidst the second structural reform, which refashioned poverty as a result of the impact of war on agricultural output and the rural economy. Then, corruption allegations started to appear.

The governmental institution created to run all these subsidies was the GAPVU (*Gabinete de Apoio à População Vulnerável*). It was a network involving the Ministries of Finance, Health, State Administration, Labour, and the Coordination of Social Action. A lack of legislation for creating permanent staff for GAPVU meant that it spent years without proper administration. Therefore oversight, assessment, and evaluation of

the social protection programmes were very inefficient. Higher-level staff had little to no control over lower staff in the field (Low et al. 1999). The number of beneficiaries grew far more than projected, expanding costs. Reports of leakages appeared as the administrators' salaries were eroded by state cuts and inflation (O'Laughlin 1996). In an overview of the Food Subsidies Programme's expansion, numerous ghost beneficiaries throughout the country were found in the database. The Ministry of Planning and Finance reduced its support for the cash transfer programmes to a minimum and refused to finance further expansions. International donors were also critical of corruption and no longer prioritised this sector (Datt et al. 1997). The Food Subsidies thus remained the only cash transfer programme in the country for the next decade, but in a frozen state, with no further expansion, funded solely by the state budget. Beneficiaries were reduced to older people with no one of working age in their households.

During this period, the World Bank was the leading international organisation in the country. It was deeply involved in the production of knowledge not just of the economic structures in the country, but also in designing programmes to solve perceived problems. By then, poverty had become quite chronic, with Mozambique ranking among the world's poorest countries despite following policy recommendations designed specifically to bring about development. In 1995, 65 percent of the population were living below the poverty line (Datt et al. 1997).

To address this problem, the World Bank and IMF started the Poverty Reduction Strategy, in which a country draws up its priorities for combating poverty. They revised the strategy, and the government was held accountable every five years by international organisations and donors. The government selected the sectors to focus investments in, and donors provided budget support to develop these strategies.

In the early 2000s, the UN led a new push to deal with poverty and promote social protection in the country (Buur and Salimo 2018, 8). This drive opened the path to the expansion of the cash transfer programme and coverage, establishing social protection as a fundamental right.

In 2008 and 2010, two significant events threatened political stability and led to an increased donor commitment to social protection. In 2008

the government cut fuel subsidies, which led to an increase in fuel and transportation prices leading to riots throughout the country. The IMF deemed social protection an essential element to ensure political stability and to appease rioters (Interview with IMF country officer, December 2019). International donors committed once again to financing social protection. The Food Subsidies Programme was restructured with the help of the United Kingdom and the Netherlands to become the *Programa de Subsídio Social Básico* (PSSB). This reform increased its reach to the whole country, to be administered by the Institute of Social Action (INAS), a branch of the Ministry of Gender, Children, and Social Action. INAS had taken over from the now-defunct GAPVU.

In 2010, the government announced further cuts to subsidies that would lead to an increase in food, electricity, and transport prices. The international financial institutions saw them as necessary because they benefitted mainly the urban population, leaving rural areas unaddressed. As a result, riots broke out paralysing the country once again. While the international community interpreted them as merely food riots, allowing the aid flow to continue, the government understood them as a challenge to the regime. To counter this threat, the PSSB was restructured to become even more inclusive and efficient by harmonising the administration and coordination of different programmes (Buur and Salimo 2018, 21). The government aimed to create more social protection programmes and increase the number of beneficiaries and coverage of existing ones.

A new concert for social protection was formed, based on a division of labour. The IMF produced macro-economic analyses to find the fiscal space for the increased social protection spending and kept donors up to date on Mozambican state finances and administration of development aid. The ILO and UNICEF designed programmes for institutional capacity building for social protection. These were developed in cooperation with INAS.

The World Bank was highly critical of this social protection architecture and did not participate in it. It criticised how poverty was now being measured, and how beneficiaries were randomly identified, seeing cash transfers as enabling patronage links and state corruption (Buur and Salimo 2018, 19). To counter this, the Bank created the *Programa de Acção Social Productiva* (PASP), which focused on seasonal public works for

low-income families with working capacity. The programmes ran in the off-seasons of subsistence agricultural production when people migrate to other regions to find work. It is also to be administered by INAS.

This new international push for social protection did not come without government resistance. The government perceived the cash transfers as something that would create dependency of the poor on the state and would do little to stimulate recipients to work their way out of poverty (Interview with IMF country officer, December 2019). Nonetheless, donors were committed to social protection, and budget support to the sector remained strong until the secret debts were uncovered (Buur and Salimo 2018, 22).

In 2016, it became public that the government had secretly taken a loan of US\$ 2.2 billion without the approval of congress. The money was designated to save a national fishing company, but it disappeared, and the company went bankrupt. With this news, the IMF immediately interrupted budget support, with the World Bank and bilateral donors following suit (Hanlon 2016, 753). The condition to resume international development aid was an investigation of the money's whereabouts and settling of the debt (which as of September 2020 has not yet occurred).

The government could not service the secret loans, leading to massive downsizing of the state structure and its subsequent declaration of bankruptcy in November 2016. Despite the situation, social protection was deemed a safe place by donors to continue investing in the country (Macuane et al. 2017), so the existing cash transfers were able to continue.

In 2019, two natural disasters struck, leading to emergency aid resumption despite the ongoing unresolved secret debt scandal. In March, Cyclone Idai hit the Beira basin, leading to flooding that extended to Malawi, South Africa, and Zimbabwe. One month later, Cyclone Kenneth hit the north of the country. As a result, over 600 people died, and 2.5 million people were displaced. Cholera outbreaks were frequent in the months after the floods, and food and shelter shortages persisted long after (UNICEF 2020). Some bilateral donors provided emergency food aid, and funds for temporary cash transfers and seasonal work programmes. The World Bank also released funds for emergency cash transfers and infrastructure reconstruction. UN agencies worked on providing social protection and humanitarian relief to displaced victims.

Although there is agreement that reconstruction after the extensive destruction of infrastructure is dependent on development aid, there is a lack of trust in the government's ability to manage funds correctly. Donors are now lobbying for aid money to be administered by non-governmental organisations, bypassing the state (Hanlon 2017, 1). The Mozambican government is not in agreement with this practice.

The COVID-19 pandemic did not make a challenging situation any easier, creating a \$700 million budget hole. Although emergency funds have been mobilised by bilateral donors, the IMF and the World Bank, they specifically target the health sector and poverty relief; budget support is still under negotiation without a forecast for resumption.

In conclusion, international organisations have a long history of shaping social protection in Mozambique. They have been present in developing national political and economic structures. There is also continued tension and competition between international organisations in how social protection should be provided, for how long, and to whom. These tensions are translated into different and sometimes conflicting programmes to be administered by the Mozambican government. The lack of trust on the part of international donors and organisations in the government's capacity to correctly manage funds and demands to counter what they deem as corruption adds an increased layer to the government's difficulties in providing essential services to its population.

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