



IMF and the Social Protection System in Mozambique

**Working meeting on the Revision of the Basic Social Protection
Programs**

Naamacha, May 11-12, 2011

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Outline of the Presentation

- Why social protection systems are important for the IMF?
- UN-ILO/IMF : Partnership towards the establishment of a minimum social protection system in Mozambique
- What is Fiscal Space?
- What is the Fiscal Space for the social protection systems in Mozambique?



IMF and Social Protection Systems

Social Protection Systems are important because they:

- Act as automatic stabilizers to cushion external shocks : they minimize economic fluctuations.
- Promote labor productivity gains leading to a more inclusive growth.
- Consolidate social and stability and peace which are essential to attract private investments and achieve a sustainable economic growth.



Minimum Social Protection Systems in Mozambique

- Initiative established at the ILO and IMF management level to ensure a minimum level of social protection in low-income countries.
- Mozambique has been chosen as one of the pilot countries.
- Pilot exercise consists of
 - An IMF assessment of the fiscal space
 - A World Bank's assessment of the effectiveness of the existing social protection programs
 - A budgeting of the programs undertaken by ILO
 - A simulation of the impact of the several options on poverty eradication undertaken by UNICEF



Fiscal Space

➤ Definition:

Availability of budgetary resources that enables government to provide resources to a desired end without jeopardizing its financial sustainability or private sector's investment capacity.

➤ What creates the Fiscal Space

- Increase of revenue
- Reduction or removal of non-priority spending
- Aid and government borrowing (external and domestic)

➤ How the fiscal space is determined?

- Debt sustainability analysis
- Medium-term fiscal scenario



Social Protection Fiscal Space Mozambique

- Based on the most recent macroeconomic and fiscal projections, under the assumption of total removal of the fuel subsidy and of continued revenue gains :
- Additional Fiscal space for 2011 -12 at around 0.6-0.8 percent of GDP implying that between 1 to 1.5 percent of GDP could be allocated for social protection programs.

Fiscal space for 2011 includes the announced mitigation measures : food vouchers (*cesta básica*) and transport passes.





Thank you!