



AFRICA AGEING **Beyond Madrid +10**

1st Africa Region Conference of Gerontology and Geriatrics

Which Pension System for the Elderly in Mozambique?

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Summary

This presentation is based on an ongoing research project to be published in December 2012. We believe that the Mozambican case can be useful for a better understanding of some important pitfalls the implementation of social protection systems in Africa face. Mozambique was labeled a "Donor Darling" during the 90s, but despite its robust growth in the formal economy, the majority of the population lives in very precarious conditions and faces enormous difficulties in freeing themselves from economic stagnation.

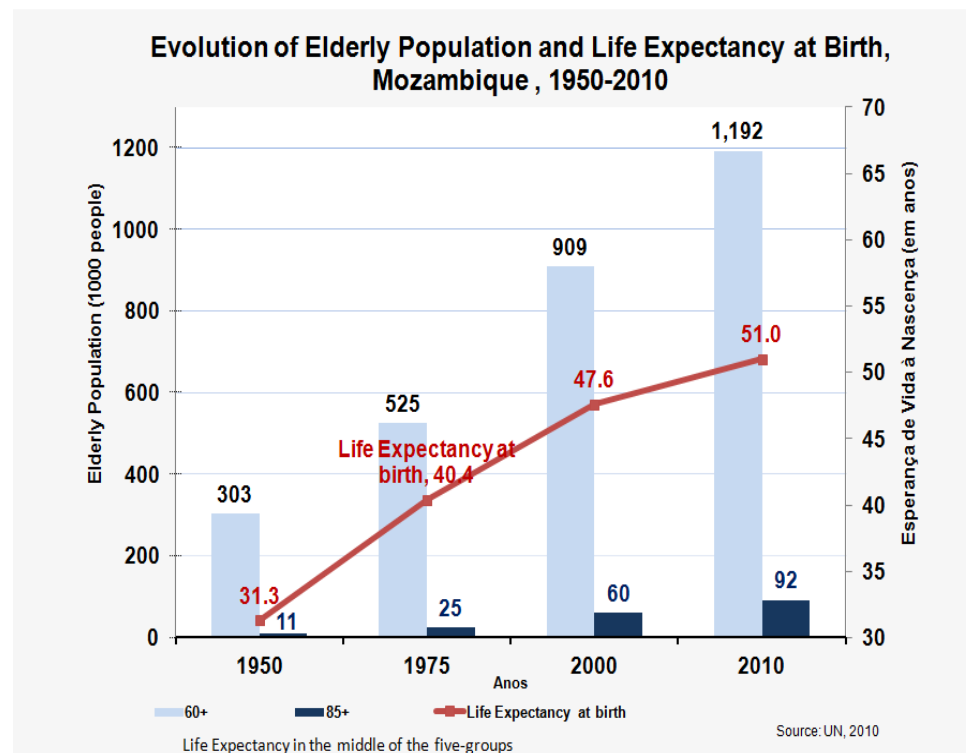
New discoveries of valuable natural resources reserves have put Mozambique in sight of foreign investment, but this in itself provides no guarantee that the high expectations created will be converted into real improvements in living standards of most Mozambicans. Without fundamental institutional changes the possibility of improving human security will remain gloomy and may even worsen over the coming decades for certain vulnerable groups, particularly the elderly. This is serious and worrying for what it represents in terms of disruption of the social fabric and breaking the intergenerational flows in the life cycle.

In this context, the debate on social protection, particularly the financial protection, plays a crucial role, but only if and as long as such a debate goes beyond the conventional assistentialist realm, very much alienated from the true nature of existing demographic social relations. In particular, the recent public initiatives focusing on basic social security programs, heavily dependent on foreign aid, are far from desirable for a sustainable and minimally worthy social security for future generations of Mozambicans. This work discusses the risks of a pension fund based on social welfarism, inspired either by unrealistic acquired rights, or by a paternalistic charitable altruism. Alternatively, this work argues in favor of a universal pension for the elderly, standing on a proactive approach, rather than a reactive and chronically dependent on the conventional perspective of assistance-help. It discusses, in particular, the relevance of a universal pension system for the elderly based on two fundamental pillars: 1) mechanisms that foster the dignity, prestige and empowerment of the elderly population; 2) realistic feasibility and effective sustainability in both economic and financial terms.

Elderly and Social Assistance at a Glance

- For 2012, the Mozambican Social Welfare Sector allocates about 1,765 million MT (US\$ 65 million), which is **1.1% of the State Budget (OE)** or **0.4% of nominal GDP** for 2012. The budget for the social protection programmes (PSSB, PASD and PSSAS) is 1,006 million MT (US\$ 37 million), which is **0.6% of the OE** or **0.2% of nominal GDP** for 2012. The Basic Social Subsidy Program (PSSB), aimed at households where no member has the capacity to work, provided in the period 2008-2011 a monthly monetary transfer of 130 Mts (**US\$ 5**); in 2011 covered about 250 thousand household members, including children living with elderly people (FDC & UNICEF, 2011).
- "A pension insulting ...**For pensions, the Mozambican government has allocated to the elderly 120 MT monthly". That is, about **US\$ 4 monthly**

[@Verdade, 01 Outubro 2012](#)



Part I

Structuring versus Assistencialist Social Protection

Is a Universal Pension for the Elderly in Mozambique possible?

Two immediate and common answers

- No! Why? There is no money.
- Maybe – through the taxation of natural resources exploitation. This is the kind of response "waiting for a miracle" or "lottery" brought by the natural resources (RNs).

A 3rd and Alternative Answer

- Recently, at the IESE's III International Conference (Francisco & Sugahara, 2012), we put forward the argument that rather than waiting for the "miracle" or "lottery" from RNs, Mozambique should consider an alternative path towards a universal pension for the elderly. Therefore, first of all, a different approach regarding the role of elderly people in the context of the current and future demographic, economic, social and political dynamics of Mozambican society is needed.
- A different approach means, in this case, to opt for a structural approach rather than the conventional charitable, paternalistic and discriminatory approach that strengthens and deepens the vulnerability and social exclusion of the elderly to levels that are truly humiliating and disturbing.

What Sort of Consensus is Emerging?

“A strong consensus has been emerging over recent years that well-designed social protection systems and sound economic performance can and do coexist. In fact, it is increasingly evident that adequate social security is by no means the consequence of economic growth – **it is a prerequisite for this growth**”

(ILO-IMF, 2012, p.2; OCDE 2005; Niño-Zarazúa, 2010, 2012; World Bank 1998, 2012).

What does this sentence really mean?

In particular, what does the last assertion - a prerequisite for growth - mean in practical and political terms?

What is Social Protection (SP)?

2 PERSPECTIVES

Assistencialist

Social protection – defined as a set of public policies that assist individuals, households, and communities in improving risks' managing and that support the critically vulnerable – **is crucial for sustainable and equitable economic growth**
(World Bank 2009, p. 1)

Structuring

The set of mechanisms, programmes and initiatives aiming at ensuring a dignified human security and freeing people from two fears (risks, threats) crucial in life cycle: **1) fear of personal insecurity; and 2) fear of scarcity (food and professional)** (Francisco 2010, p. 37)

At the IESE's III International Conference some speakers raised the issue concerning violence and accusations of witchcraft against the elderly, which illustrates the first of the above two dimensions of the structuring SP approach, about de individual insecurity. The same happens with the trafficking of humans and parts of human body, as well as lynching, assaults and physical and psychological violations common in our society.

1) Fear of personal insecurity and aggression

Trafficking of people and human organs, domestic violence

Acidentes fazem dois feridos graves

Com furor, os linchamentos estão a repetir-se na cidade da Beira, contando-se já dois indivíduos desde domingo.

Primeiro a vítima é amarrada e espancada

A província de Beira registou, durante o fim-de-semana, quatro acidentes de viação, que resultaram em

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Lynching



2) Fear of scarcity and precariousness

Pág.20 — 19 de Junho de 2009

SOCIEDADE Segura

- Mário Machungo recomenda reformas urgentes

O ex-primeiro-ministro moçambicano, actualmente presidente do Conselho de Administração (PCA) do Millennium-bim, Mário da Graça Fernandes Machungo, esteve recentemente em Portugal a participar em vários encontros promovidos pelo grupo bancário luso Millennium-bcp e num outro promovido pela RDP África sobre o Dia da África assinalado a 25 de Maio, transmitiu aos seus pares uma "visão pessimista" sobre as capacidades de crescimento económico de Moçambique nas circunstâncias actuais da crise da economia mundial.

Aquele economista que sempre defendeu que Moçambique não seria sustentável sem um crescimento constante estimado em dois dígitos anuais, começou por explicar que a crise da economia mundial se traduz na quebra das disponibilidades para o exterior e sobre o exterior, afectando as reservas e criando pressão sobre a taxa de câmbio, causando mais problemas na cobertura das importações.

A dificuldade de gerir a taxa de câmbio no presente momento é uma realidade, não sendo de admirar os questionamentos que se fazem ao Fundo Monetário Internacional (FMI).

Machungo disse ainda que no sector real a quebra das exportações por causa da crise da economia mundial levam ao abrandamento ou mesmo encerramento de empresas viradas à exportação e consequentemente o arrefecimento do consumo e da procura agregada, para além das restrições comerciais que geralmente nestas situações que ainda de acordo com o economista já se mantêm presentes em países com fragilidade nas instituições de segurança social.

Disse ainda que na maior parte dos países africanos, incluindo Moçambique, a segurança social é débil e frágil e por isso não podem responder a situações de estabilidade sem que haja o maior volume de ajuda externa.

Referiu ainda que o fraco desempenho das exportações traduz-se também na redução de receitas públicas, agravando o défice fiscal e colocando em causa a capacidade para a realização da dívida e de projectos nas áreas sociais que têm impacto directo na redução da pobreza de muitos moçambicanos, neste momento estimados em cerca de 20,5 milhões de habitantes.

Para os restantes países da África Subsariana onde Moçambique é parte integrante, esta situação traduz-se na redução da expectativa do crescimento do Produto Interno Bruto (PIB) para o presente ano, comparando com o que se realizou em 2008, com tendência para a redução das balanças de transacções comerciais.

Para fazer face à crise, a maior parte dos países desenvolvidos depois de terem constatado que a política monetária de acordo com as taxas de juros

de referência não produzia os efeitos desejados que se aplicam em situações comerciais, recuperaram a consciência do mercado financeiro. Esta medida soube aprofundar a dimensão da dívida pública nos Estados Unidos da América (EUA) e os países optaram pela adopção de pacotes de incentivos fiscais como forma de provocar um choque positivo na procura agregada por via de diversos mecanismos, nomeadamente aumento da despesa de investimento, corte das taxas de impostos, transferências para as camadas mais baixas e vulneráveis e subsídios ao desemprego.

Sobre o lema estabilidade, desenvolvimento e crescimento, emprego, crise mundial realizou-se um encontro que culminou com o desenho de cinco pilares básicos para a recuperação económica, entre os quais, Machungo destacou a necessidade de restaurar a confiança no crescimento económico, reparação do sistema financeiro, a regulamentação financeira e reformas do sistema financeiro.

Machungo indicou ainda que os países da África Subsariana antes da crise financeira internacional registavam níveis de crescimento económico estáveis, acima dos 5 por cento, como resultado de algumas reformas tomadas em alguns países que conduziram a estabilidade política e macroeconómica.

Os países portadores de petróleo registaram a taxa de crescimento do PIB estimado em cerca de 7,5 por cento. A partir de 2008 em consequência da crise financeira registou-se uma quebra expressiva nos preços dos bens de exportação, petróleo, ouro, platínio e cobre, situação que tem implicação séria nos países com excessiva concentração daqueles recursos como Angola, com o petróleo a representar 85 por cento das exportações, Botswana com o diamante a representar 61 por cento das exportações e a Zâmbia com o cobre a representar 75 das exportações e Moçambique onde o alumínio representa 57 das exportações.

A queda da procura e dos preços dos produtos básicos de exportação origina um efeito negativo combinado, nomeadamente a redução das receitas e queda de actividades em sectores tidos



Mário Machungo, PCA do Millennium-bim

como produtores de matéria-prima que se repercute sobre as pequenas e médias empresas na cadeia de valores e no sector familiar inclusive.

Machungo indicou ainda que é previsível que a crise económica mundial venha a piorar as condições de vida das populações vulneráveis da África. Acrescentou ainda que com a redução das receitas o Governo terá que suspender ou reduzir as despesas nos programas destinados ao desenvolvimento em diversas áreas de actividade, com destaque para o sector de Saúde, Educação, Habitação, planeamento e abastecimento de água.

Indicou ainda que as estratégias de combate à pobreza serão estranhadas se não forem tomadas medidas sérias para assegurar a continuidade de ajuda



[watch the video](#)

[Mozambican police violence - YouTube](#)

www.youtube.com/watch?v...

30 Set 2012 - 45 seg - Carregado por alvesmario27

You need Adobe Flash Player to watch this video. ... [violencia policia mocambicana.mp4](#) by Jornal ...

From the viewpoint of a structuring approach on social protection

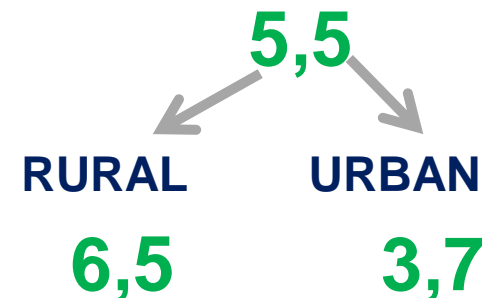
Having many children continues to be the main form of social protection in Mozambique (Francisco et al 2010).

Is it a precarious and limited social protection system, from the viewpoint of modern standards of living? Yes, but that's what got us here, through a demographic regime that prevailed throughout 99.9% of human history. Only in the last 250 years, an increasing number of countries has moved to the new demographic regime of low vital (mortality and fertility) rates.

With its economy mostly stagnant the demographic social protection, although precarious, is the one that continues to provide protective solutions to the majority of the population, while the financial social protection covers a tiny minority, through legitimate means (assets and private heritage, work, social security, social assistance, private savings funds) and illegitimate (theft, usurpation, illegal taxes, etc).



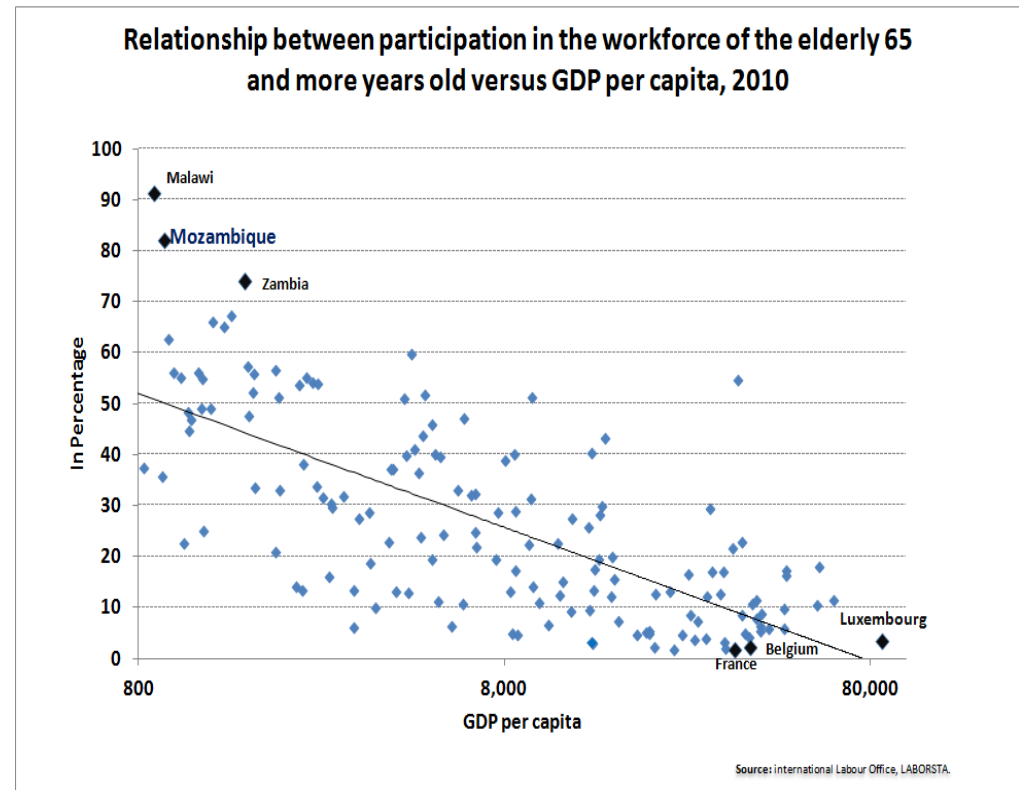
Children per Woman (2012)



INE, 2010

Most Elderly Mozambicans Work until Death

The conventional universe of social security and social assistance covers the minority of people involved in the employment market and in the formal and informal financial systems. However, the majority of the elderly population in Mozambique, mainly rural, works until death. This is illustrated by the opposite chart - the participation of elderly Mozambicans (over 65) in economic activities is over 80%, which is contrary to the in most developed countries.

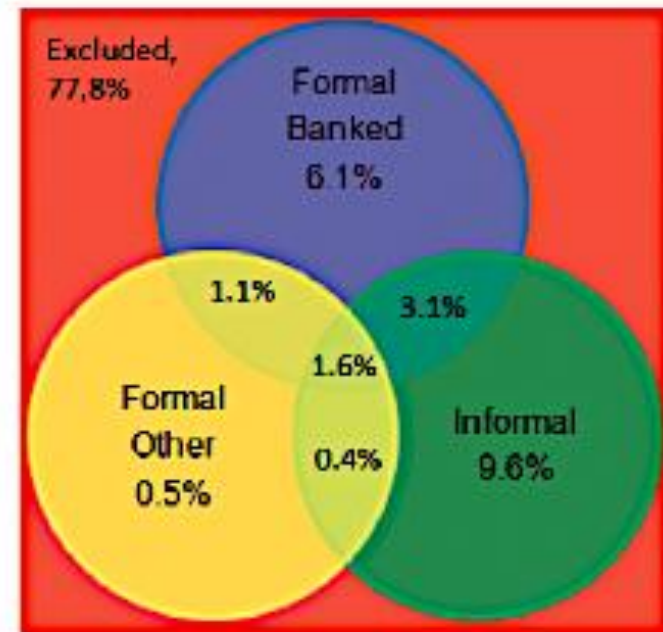


Social protection in the Context Limited Modern Financial System

- ❑ The literature on SP in underdeveloped countries takes for granted that the viability and sustainability of modern systems of SP depend chiefly on the strength, effectiveness and efficiency of existing financial systems. However, such literature often ignores, as reflected in the case of Mozambique, that the financial systems provide access to less than 22% of the adult population (Vletter et al., 2009).
- ❑ If **78%** of Mozambicans are excluded from the modern financial systems (formal and informal), where do they seek their social protection?

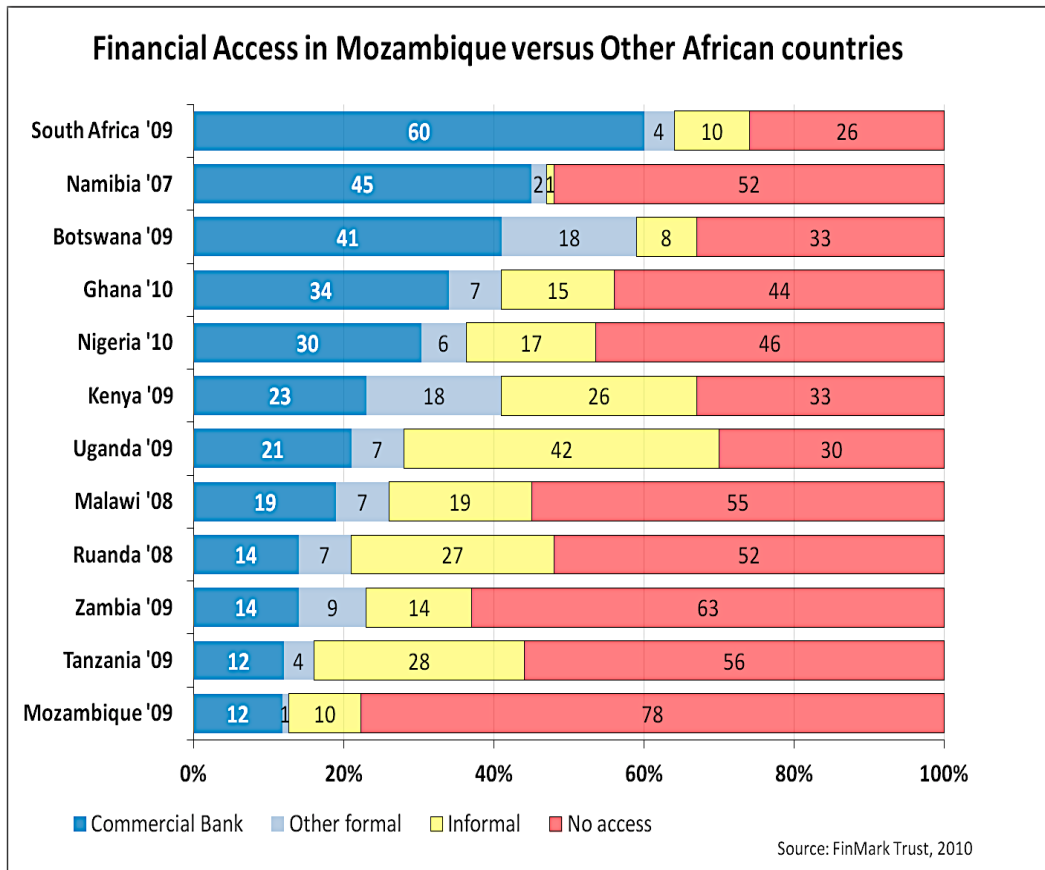
See the answer here : [Francisco 2010](#); e [Francisco et al. 2011](#)

Graph 6 – Financial Access Strand Overlap



Source: Vletter et al., 2009, p. 36

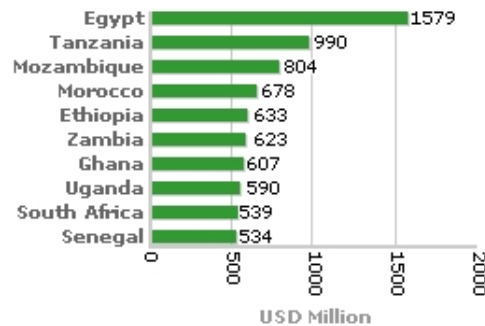
The Financial Space of Social protection: Mozambican versus other Africans



No wonder that
Mozambique, with
78%
excluded from the
financial system, has
more than
90%
of citizens excluded
from the contributory
and non-contributory
social protection.

What financial social protection in a context of external dependence? **Charitable Assistance?**

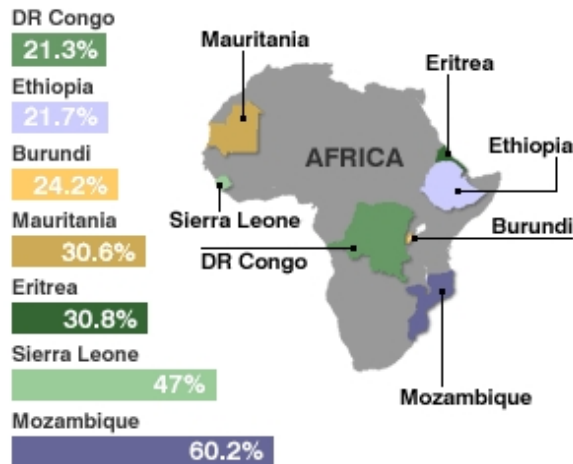
Top 10 recipients in Africa 1999



SOURCE : DEVELOPMENT ASSISTANCE COMMITTEE (OECD)

Who is most dependent on aid?

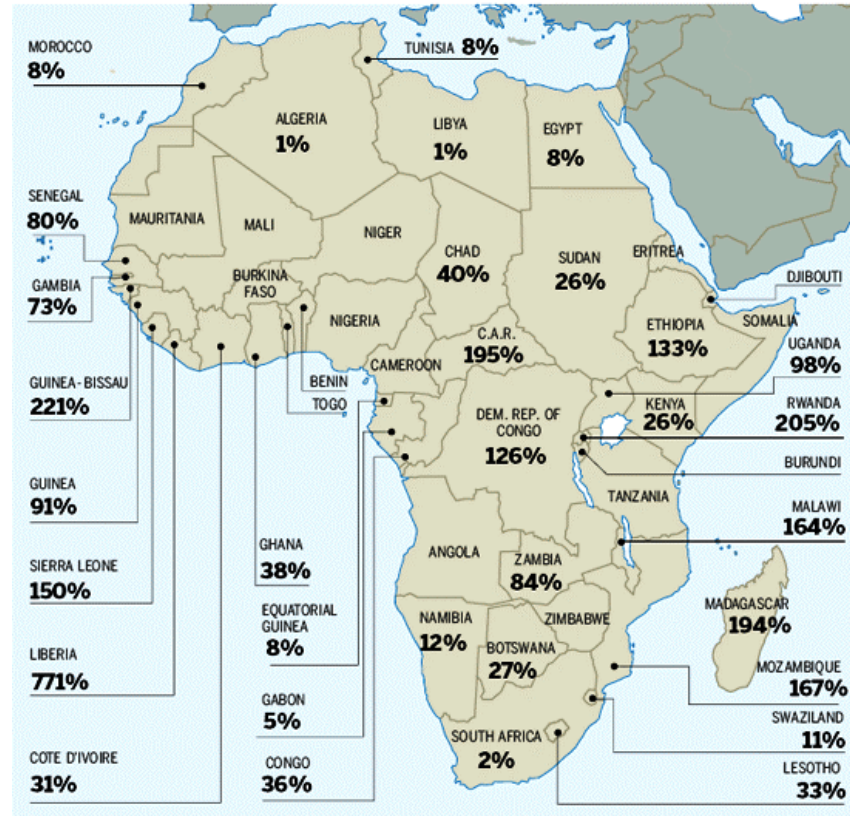
% of GDP received as ODA, 2002



SOURCE: OECD

Africa's dependence on aid

Net official aid received as a % of government expenditures, 2008



<http://filipsagnoli.wordpress.com/stats-on-human-rights/statistics-on-poverty/statistics-on-international-development-aid/>

What kind of Social protection in a context of Chronic Quasi-Bankruptcy?

- Since the Mozambican State was rescued by the IMF, in 1984, the international aid became structuring of its public policies, and in particular in the financing of its budget. The IMF and other donors are crucial to avoid bankruptcy and the failure of the State in Mozambique.
- Between 1984 and 1990, the Mozambican aid has reached unsustainable levels (see Table 1).
- Mozambique displays today a satisfactory macroeconomic stability, more as a result of successive debt pardons and the maintenance of international aid rather than of a model of economic development based on a market environment and a productive and inclusive investment. In general terms, business environment is indeed attractive, but mostly to a minority of highly lucrative investments, mainly speculative and with strong links to the political power.

Table 1: Between bankruptcy and financial sustainability Donated, Mozambique, 1984-2012				
Ratios	Maximum limit of Sustainability	1984	1998	2009
Stock/GDp	40%	In default	153%	16%
Stock/Export	150%		1348%	59%
Stock/Revenew	250%		2476%	99%
Debt service/Exp	20%		43%	1%
Debt service/Rev	30%		24%	2%
Source: (Waty 2011, p.107; MF 2008; MF 2010) GMD, 2006.				

What kind of Social protection is possible in a Speculative or “junk” Environment?

- The most recent review of the credit-rating agency Standard & Poor's (S&P), of 24.08.2012, kept the credit ratings for Mozambique in **“B+ /B/stable”**. This is a stability in a **“highly speculative”**, or in international financial jargon, “junk” environment. The stable outlook reflects S&P’s view that donor support will continue to help fund fiscal and external deficits, strong economic growth will continue, and the political situation will remain broadly stable.
- Assuming that the S&P’s prospect materializes, it will be positive from the point of view of human security and social protection, but obviously not satisfactory in the long term. Stability in a “highly speculative” environment aiming at avoiding that the country falls in the actual default is far from good and promising for the social protection of citizens.

Credit Rating for Selected Countries, 2012				
Moody's	S&P	Fitch	Countries	
Aaa	AAA	AAA	Australia, Austria, Canada, Germany, Singapore, Sweden, Netherland, UNITED KINGDOM	Prime
Aa	AA	AA	França, Japão, China, Hong Kong, Nova Zelândia, USA, ITÁLIA, ESPANHIA	High grade
A	A-	A-	BOTSWANA, Malasia, Chile, Israel	Upper medium grade
Baa	BBB+	BBB+	Africa do Sul, Brasil, Mexico, ESPANHIA, ITÁLIA	Lower medium grade
Ba	BB+	BB+	Angola, Gabon, Philipines, Costa Rica, PORTUGAL	Non-investment grade speculative
B	B-	B-	Argentina, MOZAMBIQUE, Uganda, Venezuela, Zambia	Highly speculative
Caa	CCC+	CCC	North Korea, Zimbabwe, Greece	Substantial risks
Caa2	CCC		Sudão	Extremely speculative
C	C	C		In default with little prospects for recovery
	DDD	DDD		In default
	DD	DD		In default
	D	D		In default

http://en.wikipedia.org/wiki/List_of_countries_by_credit_rating

Part II

Mainstream Assistencialist Approach to Elderly Pension

Southern African Countries with a Universal or Pensions-tested for Elderly

Regardless of whether or not they exploit mineral resources, the contrast to Mozambique, why?

Pension watch <small>Social protection in older age</small>					Benefit level				Targeting	Number of recipients	Total cost (% of GDP)
Country	Population 60+	Share 60+	Poverty rate	Year introduced	Level	US\$	% of GDP per	% of poverty line			
Botswana	117,057	5.9%	31%	1996	220	29	4%	143%	Universal	91,446	0.33%
Lesotho	145,844	7.0%	43%	2004	300	39	34%	156%	Pensions-tested	80,000	1.77%
Mauritius	150,602	11.6%	no data	1950 (scheme first implemented), 1958 (scheme became universal)	3,146	109	15%	491%	Universal	160,947	1.70%
Namibia	124,865	5.6%	49%	1992 (other social pension previously)	500	64	16%	240%	Universal	131,921	1.36%
Seychelles	no data	no data	2%	no data	2,400	173	22%	1138%	Universal	no data	no data
South Africa	3,694,968	7.3%	26%	1927/8 first scheme introduced for whites, 1944 scheme extended to whole population, 1996	1,200	155	25%	592%	Means-tested	2,647,000	1.14%
Swaziland	63,638	5.3%	63%	2005	200	26	10%	114%	Pensions-tested	55,000	0.60%
Zambia	632,235	4.8%	64%	2007	####	12	10%	####	Universal	4,500	no data
www.pension-watch.net											

Why Mozambique Lacks a Universal pension for the Elderly?

Two main reasons: Historical and Strategic

➤ Historical Reason

The formal Social Protection system that emerged from the birth of Mozambique as the modern State, in 1890-1, was dismantled or heavily devalued after independence in 1975, first, by radical revolutionary politics, and then by the devastating civil war. However, the rehabilitation and reforms over the past two decades of high dependence on foreign aid, has shown weak signs of an endogenous growth, pointing to modern SP, framed in an inclusive and dignified perspective.

In 1901 the **1st Overseas Finance Regulation** appeared, aiming at ensuring the Social Welfare to Colonial State Public Servants (Quive, 2007, p. 12). This system began to be highly racist and discriminatory. Initially only for the settlers, mostly white Europeans, but gradually it was opening up to including the "assimilated" and finally the so-called "indigenous". Around 1975, the inherited colonial SP system needed to be substantially reformed, with the aim of making it truly inclusive and comprehensive for the overall population. However, it was dismantled, devalued and practically destroyed ([Francisco, 2010, PP. 37-95](#)).

Why Mozambique still does not have a universal pension for the elderly?

➤ Strategic Reason – power vs. development

- ❑ Independence was "captured" by the revolutionary radicalism and the new sovereign State did as the English saying: **it threw out the baby with the bath water**. The Declaration of the Constitution of the Republic of 1975 in favor of the elderly become an became a utopian statement:

All citizens shall have the right to assistance in case of incapacity and old age. The State promotes the creation of bodies that ensure the exercise of this right. (Art. 32).

- ❑ The dismantling of the status of the colonial Apparatus in Mozambique, aggravated by civil war (1976-1992), economic and financial bankruptcy (1984) and high external dependence (after 1987), weakened the sense of duty of the State to the citizens, while strengthening the link with the external contributors, donors. This allowed the ruling party, Frelimo, to avoid the failed State, recover the political initiative and follow a strategy of consolidating its political hegemony, rather than a developmental strategy with effective dignifying social protection. In hindsight, the elderly of today make the balance of costs and benefits of so-called "our achievements" from independence. **Mário Coluna**, a famous Mozambican soccer player, at the age of 77 is an emblematic example among many elderly people for whom the period of independence represents today a missed opportunity for a dignified retirement.

The "sacred Monster" is one of the many victims of the predatory policies like nationalization of housing (1976)

"I did not steal the money with which I bought the building that the Government nationalized"

“Não roubei o dinheiro com o qual comprei o prédio que o Governo nacionalizou”

Quarta, 15 Agosto 2012 00:00 Aristides Cavele



Mário Coluna agastado:

Aos 77 anos, completados no passado dia 6 de Agosto e maior parte dos deles dedicados ao futebol, Mário Esteves Coluna carrega consigo uma grande tristeza: a nacionalização por parte do Governo moçambicano, a 24 de Julho de 1975, do seu prédio localizado no bairro da Malhangalene.

O “Monstro Sagrado” diz estar magoado com o Governo moçambicano, porquanto comprou o prédio com dinheiro que ganhou, honestamente, ao serviço do Benfica e que serviria para a sua reforma.

Mário Coluna, com as lágrimas a escorrerem o rosto, disse, outrossim, que não explorou a ninguém. Pelo contrário, o ex-capitão do Benfica e da selecção de Portugal, diz que andou a esforçar-se, correr o mundo, partir o joelho e, no fim, levarem o seu prédio.

Coluna questiona, porém, por que o executivo o convidou para ser membro do partido e deputado da Assembleia da República, além de lhe ter atribuído a Ordem Eduardo Mondlane do terceiro grau - a mais alta condecoração do Estado.

Não explorei ninguém!

O PaísOnline

I have not explored anyone!

This has much to do with the SP!

**Conquest?
For whom?**



Examples of State actions for and against Social protection, 1975-2012

Pro-Social Protection

- Recognition of the right to Mozambican citizenship without discrimination of race, ethnicity, religion, gender, amongst others.
- Agreement between the warring forces involved in the civil war (1976-1992), leading to peace, fundamental condition for effective individual and social security.
- Openness to international support, relieving citizens from assault and misuse by politicians and bureaucrats to public and private goods;
- Definition of a legal framework conducive to social protection;
- *Ad hoc* initiatives and programs of social assistance, in response to situations of extreme vulnerability and urgent intervention – *e.g.* natural disasters, outbreaks of famine, floods and economic crises resulting from the destruction of the formal market.
- Donors' pressure for more attention to SP.

Against Social Protection

- Generalized expropriations and usurpations, chiefly of land and housing assets;
- Widespread nationalization and collectivization of the means of production which should provide the material base for the SP of citizens; centralized administrative control that feeds instability to the foundations of the formal market economy in society;
- The 1987 Economic Rehabilitation Program (PRE) and subsequent IMF financial aid programs have saved the State from bankruptcy, but not avoided the sack to national banking (Hodges & Tibana, 2005; Hanlon, 2002, 2004); deviation from the pensions of workers coming from the former GDR (Mandjarmenes) and more recently deviations of the funds of enterprises and State agencies, as well as the depletion of the INSS.

Mainstream Assistencialist Approach to Pensions: **Features**

1. Reactive

Ex-post, in response to unexpected but also predictable events, through schemes aiming at "curing" rather preventing them – e.g. PSA/PSSB. Nearly four decades after independence, not even the limited social security systems of the colonial period have been resumed, to say nothing of a really inclusive and comprehensive social protection system.

2. Charitable / Humanitarian

Meaningless assignments (monetary, in kind or work), ALMS miserable that demean more than they value the beneficiaries. Alms to needy consumption that does not detract from the work of the elderly, nor credit, much less provide negotiating capacity within the family or the community.

3. Patronizing

Legitimizing of a relationship of despotism and superiority. Between parents and children, paternalism is legitimized by love; between donors and recipients, paternalism is legitimized by the selfless generosity. In colonial times there was the **"civilizing mission"**; Today, we see the **"humanitarian mission"**.

4. Discriminatory

In the worst sense - arbitrary and in breach of partial, basic human rights, equity and universality. It is amazing how international organizations agree with this discrimination, despite their declarations of principle!

5. Humiliating

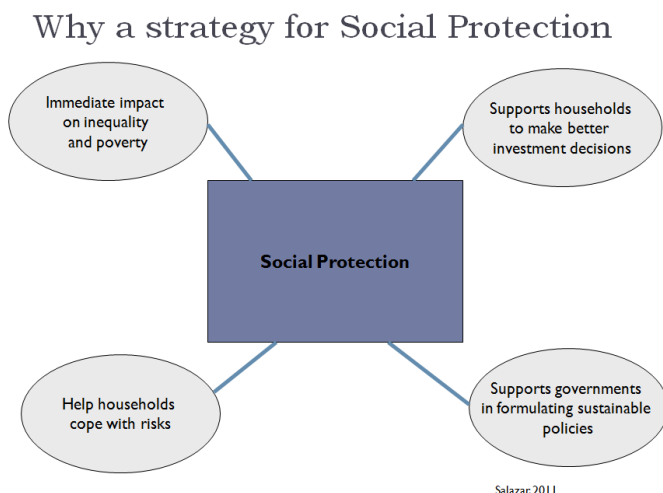
Especially in the paternalistic, complacent and even vexatious manner the elderly are treated, *i.e.* as "vulnerable", considering the very little that has been done to restore the dignity they enjoyed in the old demographic regime.

What is the difference between donors' welfarism and the assistentialism of Mozambican Government?

- The reactive nature of assistance and public policies of the Mozambican State, in general, and PARPA(s), in particular, have been the subject of multiple reflections in IESE (Francisco, 2012; Sugahara Francisco, 2012).
- Donors have the political will to reform, but they lack a proactive, enhancing and empowering design for public action, adapted to a reality very different from yours. Patronizing options, charitable and sometimes humiliating, totally contrary to their statements of principle.
- However, following the popular uprising on September 1-3, 2010, in Maputo, the perception of a Government and its partners increased. The rulers worried with the threat to the stability of their power. Donors worried with the danger of returning instability. The IMF's monitoring reports illustrates this worry. The IMF report prior to the revolt of September 2010 (June 2010, nº 10174) did not have a single reference to social protection, except for two paragraphs on "Reforming the National Social Security Institute (INSS)" (4; 16, p. 23, p. 46). In contrast, the IMF report of December 2011 (11350) already contained 15 references to social protection and two to basic social security. The latest IMF report of June 2012, no. 12148, contains 27 references to social protection, but surprisingly says nothing on the issue of "Reforming the National Social Security Institute (INSS) mention in the Report of June 2010 ([IMF, 2012](#)).

Donor Dispersion Strategy without Demographic and Economic Rationality

The World Bank advocates a "safety nets" approach, in a more or less ad hoc response to various risks and contingencies. According to Salazar & Zapatero (2012), the public sector already spends 2% of GDP on pensions (including Social Security, military and civilian public pensions) and 1.7% of GDP on social assistance (excluding fuel subsidies). "The Bank study found some 40 programs and social protection in the country with different funding sources. Some programs with low coverage and benefits are not very high in relation to the needs." This fragmentation and dispersion are consistent with the distributive scheme (see next image and table), in a charitable and dispersed assistencialist approach without any demographic and economic strategy relevant for a dignifying and sustainable social protection.



Salazar, 2011

Distribution of Social Protection Spending, 2010				
	Meticais (Millions)	USD (Million)	% of Total	% External Financing
Basic Social Security a/	5,012	152	44%	62%
Direct Social Action	1,782	54	16%	33%
Education Social Action	2,199	67	19%	75%
Health Social Action	657	20	6%	91%
Productive Social Action	373	11	3%	69%
Compulsory Social Security	6,336	192	56%	
Total	11,348	344	100%	
Exchange rate, 2010: 1USD = 33 Mt				
Source: Salazar & Zapatero, 2012				

Governmental Mobilization Strategy of External Resources to Ensure Stability of the State

The GoM has a strong political will, more focused on maintaining national stability and its power hegemony, rather than on strengthening the society by empowering its citizens. The Government's ability is conditioned by the private interests installed in the State.

In this context, the role of the IMF and other international partners as a sort of "Social Security" for the Mozambican State continues crucial where national stability is concerned. Especially the IMF support system under **"the Exogenous Shock Facility (ESF)"**.

In practice this system acts as a kind of "National Fund of Social Security" for the Mozambican formal economic and financial system against the exogenous shocks.

07 de Dezembro 2011 **MAGAZINE** DESTAQUES **5**

**only 0.9% of the budget is for the security and welfare.
Government "ignores" vulnerable groups**

A proposta de Orçamento do Estado para 2012 continua a registar discrepâncias na distribuição de fundos entre os diferentes sectores. Os sectores sócio-económicos continuam a ser marginalizados. De acordo com a proposta do Governo, depositada na Assembleia da República, aos sectores sociais caber-lhes-ão fatias muito reduzidas do orçamento geral.

M Xadregue Gomes

Sobre os subsídios sociais, que visam minimizar o elevado custo de vida da população, a proposta do OE para 2012 inclui os subsídios para o subsector de acção social. Contudo, este sector é o mais crítico em termos de alocação de recursos com menos de 1 por cento. A esta rubrica (segurança e acção social) foi alocado apenas 570,7 milhões de meticais, para milhares de moçambicanos que se encontram numa situação de vulnerabilidade, o que mostra à priori que o Governo não toma a peito

segundo a proposta do Orçamento do Estado submetido pelo Governo à Assembleia da República. De acordo com o documento, as despesas de funcionamento representam a maior dotação orçamental com 51,8 por cento do total das despesas, justificado pelas despesas com pessoal, transferências correntes que incluem o pagamento de pensões, os encargos com as representações diplomáticas no exterior e os subsídios e, os encargos da dívida que deverão consumir cerca de 4.626,4 milhões de meticais, contra os actuais 3.306,1 milhões. Em relação às despesas de investimento, o valor alocado (65.017,8 milhões de meticais) corresponde a 15 por cento do PIB, e representa uma redução de cerca de 2,4 pontos percentuais em relação a 2011. Sendo que, deste montante, 5,5 por

cento do Estado em 2012, cerca de 95.537,9 milhões de meticais serão assegurados através de receitas internas, das quais 80.441 milhões de meticais provêm de receitas fiscais, 6.530 milhões de receitas não fiscais, 6.034 milhões de receitas consignadas e 2.531 milhões de receitas de capital. Assim, o défice orçamental, estimando em 66.977,5 milhões de me

Manuel Chang

rodoviário, agrícola, comunicações de radiodifusão e televisivo. Assim sendo, para o exercício económico de 2012 está previsto na proposta do OE, ora depositada na Assembleia da República, mais de 900 milhões de meticais para subsidiar algumas empresas públicas que apresentam défice de tesouraria. A Rádio Moçambique (RM), Televisão de Mo

meticais. Já a empresa Nacional Hidrocarbonetos (ENH), criado pelo Decreto 39/97, de 12 de Novembro, vai precisar em 2012 de 90.894,40 mil meticais para cobrir o défice de tesouraria, sendo que o maior peso percentual está na rubrica de remuneração aos trabalhadores fixado em 75.534,40 mil meticais. A empresa Aeroportos

Part III

The Universal Pension Alternative for the Elderly

The Universal Pension Alternative for the Elderly

Main Features

1. Pro-active

Ex-ante rather than *ex-post* and reactive, as are the schemes and programs currently implemented in Mozambique: PSA / PSSB Program (Basic Social Security). An elderly pension conceived in anticipation of foreseeable effects, since the unpredictable ones by definition are impossible to predict.

2. Valuing

Give value and above all add value implies that the very competitiveness minimum purchase pension, complement and generate bargaining power, authentic and real rather than fictitious and spurious. For this, the pension for the elderly must have a minimum monetary value rather than mere whimsy value; minimally bargaining power within the family and community, rather than alms indigent.

3. Inclusive

In the sense that all eligible people enjoy and share the pension instead of a limited group, with subjective criteria chosen on the basis of an alleged "gradualism" used to justify the violation of the principle of "universality".

4. Equitable

Pension based on fairness and recognition of the right of the elderly, adapting equivalence of equality and justice, taking into account differences among the beneficiaries.

5. Significant

The appreciation reinforces the dignity and self-esteem of the beneficiaries, instead of a paltry pension and humiliating, supposedly to help the consumer, but that does not relieve the employee elderly to continue working or begging, or depend on the generosity of family or donors' charity.

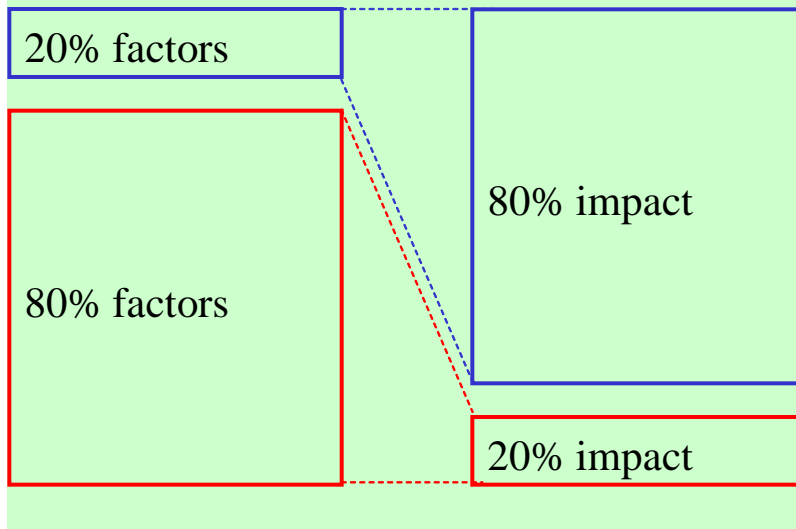
Objectives of Universal Pension

- 1) Provide a **minimally dignified** rather than humiliating pension for the elderly;
- 2) Returning to the elderly the **dignity and prestige** it had when the demographic regime (pre-transitional) was stable, viable and balanced;
- 3) Encourage family and community cohesion by **strengthening the bargaining power** of the elderly among the household members through a board with minimum instead of whimsy;
- 4) **Fighting the tide of individual insecurity** of the elderly, especially, abandonment, witchcraft and physical and psychological violence;
- 5) Enable older people to contribute **to free the family from economic stagnation**, towards a truly inclusive and progressive economic development;
- 6) Accelerating the demographic transition, namely the fertility transition, **strengthening intergenerational solidarity** between grandparents and grandchildren, seniors and children;
- 7) **Compensate the elderly for unjust fate**, sometimes tragic, that public policies have exposed them in the age of the economically active;
- 8) Considering that the future is unpredictable, the way to prevent future is to **create financial reserves**, especially in the phases of young and adult life.
- 9) **Avoid the mistake of advanced countries**, by creating systems of PS based on the implicit assumption that populations remain forever young.

Operationalization of the Elderly Pension: demographic, economic and social rational

80/20 Rule

"Vital few and the trivial many"



The Pareto principle can be used to identify critical factors in the population, in this case, **5%** of elderly people spread across at least **20%** of households. Providing the elderly a minimum pension (at least **30% to 50%** of the national average income, based on real GDP per capita), it is expected that the values impact the elderly in society, far reduced to "vulnerable", transforming the element to "vital" for the family and social cohesion and, in particular, in **fostering the demographic transition in Mozambique**, in favor of a sustainable minimum population growth.

Costs and Benefits of Three Scenarios

Assuming that the argument for Universal Pension for Older Mozambicans is accepted as credible and relevant three questions arise regarding its operationalization practice:

- ❖ **What are the costs of a universal pension?**
- ❖ **What implications for key stakeholders: IMF, ILO, State, Mega-Proj. and CSOs?**
- ❖ **What kind of pension fund set up?**

More than political will of the Government and its international partners, a pension alternative presupposes understanding, vision and assumptions consistent with the socio-economic and demographic reality of Mozambique, as well as an economic development perspective really committed to human security and human rights of citizens.

One of us has repeatedly warned of the risk of dangerous tendency of creating a socially fragmented society with citizens "1st" versus citizens "2nd" classes. A fragmentation caused by political and economic institutions that generate discriminatory social protection mechanisms impoverishing, to most people, but comforting to a small minority.

The key to financial operationalization of a universal pension is the creation of a fund combining public and private resources. Public resources should derive from the State Budget (OE), resulting from the change in the criteria of allocation of resources, in which social protection password to be explicitly included as one of the three components of budgetary expenditure: current, investment and social protection. What would the macroeconomic impact of such a pension be?

Scenario 1: Discriminatory and Charitable Pensions Calculation (PSA/PSSB)

Annual Cost

- 0.22% of GDP (gross domestic product)
- 937 Million Mozambique Meticaïs (**31 Million** US dollars)
- 0.66% of government expenditure

Monthly Pension

- **200.00 Moz Meticaïs (US\$ 6.7)**
- 17% of average income
- 13,8 PPP\$ (36% of international poverty line)

Coverage

- 301.683 beneficiary
- 25% of population over 60 receiving benefit
- 1,3% of total elderly population

1 US\$ = 29.99 Meticaïs; Administrative costs 30%

How much is the current scenario of public support for the elderly?

A pension such as the one provided by the PSA/PSSB, to assign with a value of 200 MT (**\$US 6,7**) per month, covering about **300,000 elderly**, is both ridiculous for the ones that are benefitting from it and discriminatory against the remaining **75% excluded** from the scheme. It might be given for charitable and paternalistic reasons, but such an individual pension is not minimally valuing, while the selection criteria of beneficiaries are subjective and arbitrary.

Scenario 2: If the PSA/PSSB were Universal, but also Charitable

Annual Cost

- 0.9% of GDP (gross domestic product)
- 3.0 billion Mozambique Meticaïs (**100 Million** US dollars)
- 3.2% of government expenditure

Monthly Pension

- **200.00 Moz Meticaïs (US\$ 6.7)**
- 17% of average income
- 13.8 PPP\$ (36% of international poverty line)

Coverage

- 1,191,000 people eligible for benefit
- 100% of pop. over 60 receiving benefit
- 5.1% of total population receiving benefit

How much the scenario 2?

A universal pension, with the current value of pension PSA / PSSB, about 200 MT (\$US 6,7) per month, would have the merit of respecting the principle of universality, thus avoiding discrimination of the majority of eligible seniors.

The cost of this option would be **\$ 100 million U.S. in 2012, or 0.9% of GDP and 3.2% of Public Expenditure.**

Although universal, assigning a value of 200 MT monthly whimsy, serve only for personal consumption (and badly!). This type of pension does not value, both in terms of social status and role in economic transformation.

Scenario 3: Universal Pension - How Much It Would Cost?

Annual Cost

- 3.39% of GDP (gross domestic product)
- 11.25 billion Mozambique Meticaïs (**380 Million** US dollars)
- 12.11% of government expenditure

Monthly Pension

- **750.00 Meticaïs (US\$ 25)**
- 63.43% of average income
- 51.87 PPP\$ (135.78% of international poverty line)

Coverage

- 1.191.000 people eligible for benefit
- 100% of pop. over 60 receiving benefit
- 5,1% of total pop. receiving benefit

1 US\$ = 29.99 Meticaïs; Administrative costs 5%

Source: <http://www.pension-watch.net>

And what if the value would be of 750 MT per month (**\$ 25**), about 25% of the national minimum wage? It is believed that such a value would start to take actual impact, both economic and social negotiable.

The cost of the option is not unaffordable for the State Budget, the Government could compare it with the cost of the alternative option of leaving the population at your own risk, for example, the avoided cost to accelerate the fertility transition avoiding pregnancies and births unwanted.

The accessibility depends on a number of factors, including: costs, fiscal space, financing options, governance, administrative efficiency, transparency, among others. Knowing and estimating the cost of the pension is one thing, but knowing the fiscal space to accommodate such cost is another. Fiscal space in the budget is the part that allows you to provide resources, in this case for the pension fund, without jeopardizing the sustainability of its financial position (HelpAge, 2012).

Part IV

Implications for Multiple Actors

Policy and Practical Implications for Multiple Actors: **STATE AND GOVERNMENT**

The state as "an organization of the political means," can both promote and facilitate or discourage and hinder the development of economic society and therefore of social protection mechanisms, both demographic and financial.

Independent evaluations of the market environment and business show that Mozambique has a highly speculative environment hostile to productive and broad investment. A statement from the IMF (2012, p. 1), "Mozambique's macroeconomic performance remains strong and program implementation satisfactory," is correct when properly contextualized environment "highly speculative" rather than prevailing environment for "investment" productive. On the other hand, more important than states where "the short-term outlook entails elevated Risks from the weakening global economy, are the high long-term risks arising from subsistence economy and stagnant prevailing in the national economy".

As the IMF recently warned: "... Mozambique is faced with a leveling off of donor support, which complicates investment plans." The IMF adds that "... net aid flows have declined Already Significantly from the global crisis-related peak of 14 ½ percent of GDP in 2009 to 12 percent of GDP in 2011, and are projected to level off to below 10 percent of GDP from 2012 onward. Furthermore, donors are moving to general budget support on conditioning performance, and shifting funds towards sector or project support, Which may complicate the predictability of budget execution. (FMI, 2012, p. 16).

What Universal Pension Fund for the Elderly, considering the INSS' scandals?

The national press has publicized recent INSS scandals. Given this experience, perhaps a universal pension fund out, but well away from the INSS, can win the trust of citizens in a "Bank Pension" for seniors.

"Caso INSS" - SAPO Vídeos

Tomas Vieira Mario says that Social Security's problems are not resolved by replacing people

Terça, 07 Agosto 2012 00:14 Redacção "Case INSS" - Parte II

9/06/2012

INSS paid 1 million dollars for a house that did not exist



Instrumentos de gestão do INSS devem ser revistos e autores responsabilizados

Terça, 14 Agosto 2012 00:02 André Manhice



Inocêncio Matavele

echoes of the case of INSS's financial scandals

MADAM MINISTER OF LABOUR

Long ago the taxpayers expected to hear the outcome of the investigation to the INSS, something being postponed just because scandals are scary, however, the Minister must show courage and service.

The INSS staff continues to squander taxpayer funds

Quinta, 21 Junho 2012 00:00 Redacção

Adelino Buque Um dos administradores do INSS em representação da CTA

CTA distancia-se da má gestão do INSS.



Policy and Practical Implications for Multiple Actors: IMF AND OTHER DONORS

The Bretton Woods institutions, especially the IMF, continue to play a crucial role in the stability of the formal system and monitoring macroeconomic and financial Mozambique. The fact that Mozambique continues to maintain credit ratings at 'B + / B / Stable ', as indicated in Slide 17, is due in large part to the financial support of the called programmatic aid donor countries to cover the budget deficit and external. However, from the point of view of human security and social protection, [this type of stability in a "highly speculative" environment](#) (B +, according to S & P) is far from satisfactory and promising. Rather, it is a strong signal for the wealthy and successful to put their savings in financial assets in many markets more reliable than Mozambique.

In this context, [the IMF can and should assume a more pro-active and progressive leadership in defense of the citizen](#), instead of reactively acting, in a complacent and patronizing manner. The IMF's mandate is not to become a sort of charitable and humanitarian agency, much less a kind of INSS for the state and the international financial system, while the current "INSS" from the Mozambican Government specializes in drawing and recurring to taxpayers cash unpunished. If the IMF take a proactive stance rather than reactive, progressive instead of patronizing, help to overcome **CONTRADICTION ON CONSENSUS** highlighted on Slide 6. Macroeconomic stability in an speculative or "junk" environment cannot be satisfactory for an effective and inclusive social protection. [The IMF, in its capacity as Bank of Central Banks has a commitment to the country and not just the executive of the day.](#)

Policy and Practical Implications for Multiple Actors: **MEGA-PROJECTS & CIVIL SOCIETY**

Recently, the expectations on the high dividends of public mega-mining projects have increased significantly. However, the possibility of new revenue contributing to economic development with inclusive social protection and decent, depends less on the amount of tax revenues to productive enterprises than the nature of the state itself.

As an organization of the political means, if the state continues to focus on extractive resources, predatory and wasteful, in favor of vested interests in the state itself, it is unlikely that new revenues will contribute to economic development with inclusive social protection. With a clear agenda for the creation of universal pension fund for seniors, a transparent and efficient management, monitored by independent bodies, it is possible to create synergies with international partners so that multinationals and national companies contribute to such a fund.

The Civil Society Organizations (CSOs) should contribute to the critical analysis and transparent budgetary expenditure and its possible reform, taking into account, in this case, the contribution to a universal pension for seniors..

Recent analyzes of IMF staff admit the possibility of creating a space additional tax of 2.5% of GDP cumulatively from 2012 to 2022, which could be allocated to all programs of government spending priorities. Gains resulting from the continuation of reforms in revenue administration and expenditure reprioritization through the gradual elimination of the fuel subsidy would constitute the driving forces in the process, which more than offset the declining trend of foreign aid (IMF, 2012, p. 21).

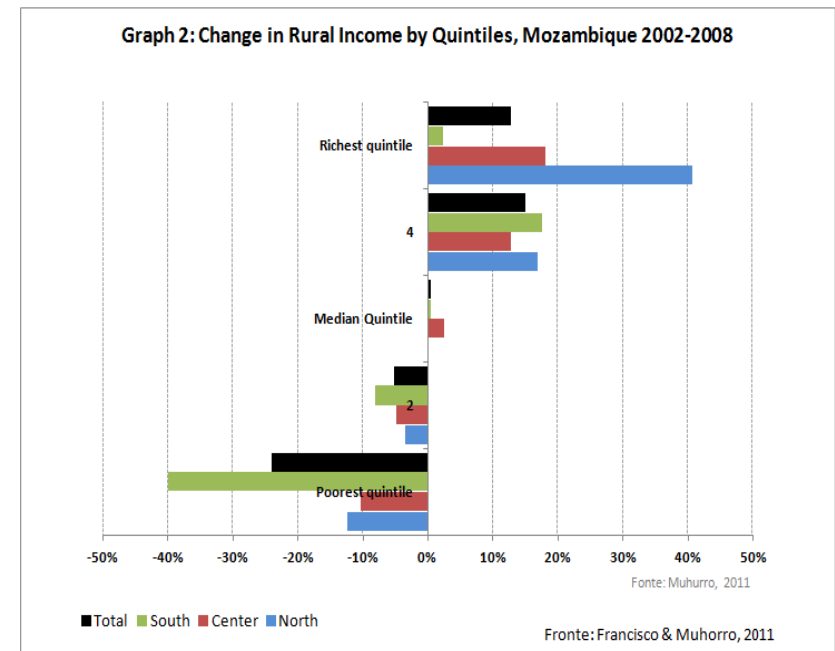
Part V

Final Considerations and... What Else?

Placing the Issue in the Right Context (1/4)

Social protection needs to be placed in the context not only of economic growth and accumulation but more importantly in the Mozambican case in the context of the deep and chronic economic stagnation. Stagnation is the most important developmental challenge of Mozambique (the true "ICEBERG"), while growth and accumulation is the tip of the ICEBERG that might contain one of the keys to overcome the former but so far nobody has found how. Over the 1st decade of the 21st Century the rural Mozambican economy generated a median income per capita of 4 Meticaís (average 10 Meticaís) per day. This means, in US currency, **just 0.13 cents per person daily!** Moreover, as the Graph 2 below shows, while the two poorest quintiles have impoverished, the two wealthiest quintiles have prospered (DNEAP, 2010; Francisco & Muhorro 2011).

This gloomy picture has been confirmed by several research studies, including the most recent country case study for the World Bank *2013 World Development Report*, from Jones & Tarp (2012), published 1 October. The authors conclude that there are no clear and coherent policies and that both manufacturing and smallholder agriculture are stagnating. **300,000 adults are joining the workforce each year, and there are no jobs for them.** "There is no evidence of a positive process of structural transformation in the employment landscape; rather, underemployment is rife [and] education levels remain extremely low."



Placing the Issue in the Right Context (2/4)

In Mozambique, Donors, NGOs and the Civil Society in general have been engaged in promoting **the so-called “social protection floor”**. This strategy leads to a situation where the social protection debate has been reduced to the financial issue. *It is important to discuss whether the civil society efforts are focused on the right direction and what the expected outcomes are.*

Mozambique has currently three major pension plans for elderly people, none fully aligned with the key principles set up by the current Mozambican Law (Art. 3, 4/27) on social protection, namely: universality, equality, solidarity and decentralization. The National Institute of Social Security (INSS) covers the private sector and two Ministry of Finance (MoF) plans that cover the civil servants and the military. The coverage of these pension systems is quite low. About 90% of elderly (one million) receive no pension of any kind.

Together MoF pension plans and the INSS cover 5% of the economic active population (EAP); about 5% of the busy EAP; and 29% of the salaried EAP. Private sector compliance rate to the INSS is low, as only 43% of the busy salary receiving, workers in the private contribute to INSS. For the elderly, in addition to the older pension plans there are two INAS (The National Institute of Social Action) programs: the Food Subsidy Program that targets among other groups the poor elderly and the INAS's Centers of Support to the Elderly (Unidades Sociais – Centros de Apoio a Velhice) (Assembleia da República 2007; Wartonick 2009).

The above presentation clearly admits that the Mozambican population lacks mechanisms of social protection, except in few and limited cases. But this is true, or better, partially correct, as assuming that the lack of social protection mechanisms, referred to herein, refers to the modern financial mechanisms, both formal and informal.

Placing the Issue in the Right Context (3/4)

However, without this clarification, the assumption of widespread lack of social protection is likely to generate misleading perceptions and conclusions as well as unrealistic actions and policies, chiefly because they are alienated from the reality of underdeveloped countries like Mozambique. In other words, one should wonder whether the lack of formal modern mechanisms, both public and private, means that the overall population really lives without any social protection mechanism whatsoever? Clearly, no.

As one of the authors of this paper has argued in recent studies, having too many children is still the main form of social protection in Mozambique. This should not be understood or confused with what is commonly referred as informal mechanisms. The demographic relations of social protection comprise a set of mechanisms corresponding to the old and pre-transitional demographic regime, standing on high mortality and fertility rates. Recognizing this is important from the point of view of both methodological and analytical criteria as well as in terms of applied concrete policies (Francisco 2011a; Francisco 2011b; Francisco et al. 2010).

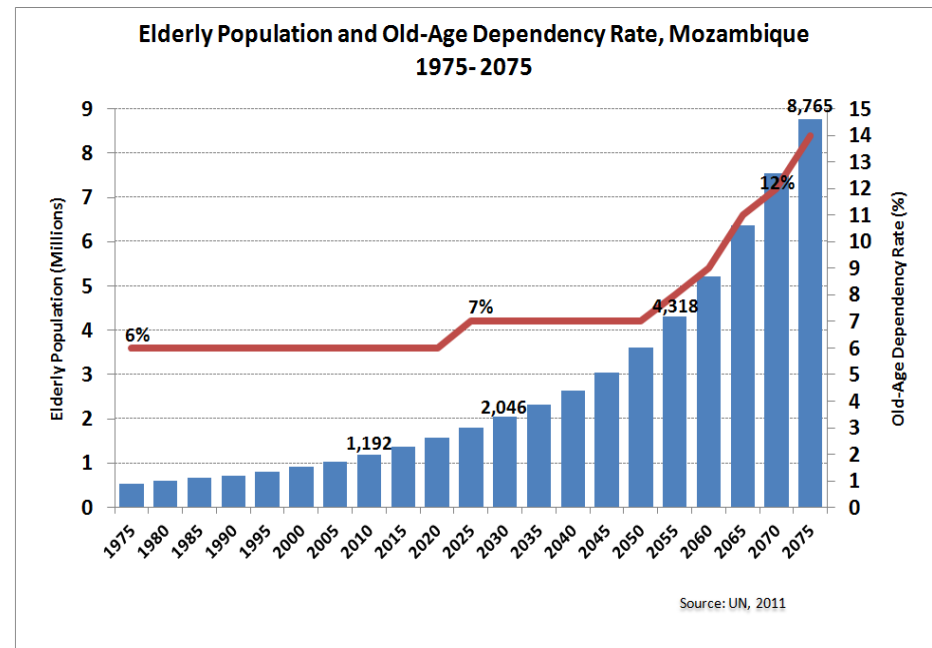
It is particularly important to recognize the fact that, in Mozambique, the prevailing demographic regime still corresponds to the pre or early demographic transition. Although this involves rather precarious social protection mechanisms, the truth is that in the absence of anything better, they were - in the past and still nowadays - the system that allows people to cope with the risks and uncertainties of life. Moreover, the recognition of the most relevant social protection mechanisms in society, such as the demographic social protection mechanisms, leads to a better grasp of the scope, potentials and constraints regarding the implementation of new and modern mechanisms, standing on the existing formal and informal financial and administrative systems.

Placing the Issue in the Right Context (4/4)

If a State is unable to conceive a social protection policy that values and dignifies the 5% "vital" population, it means one of two situations: it lacks a policy consistent with the finding, *i.e.*, consistent with human rights, or it lacks the minimum competency of management technique, and basic understanding of the function of public resources. If it is not able to allocate at least 25% of the national income, what kind of state is this? Do Mozambicans deserve such a state? Until when will the Mozambicans tolerate it? As the chart below illustrates the problem of the elderly Mozambican is still embryonic, but leaves no doubt that over the next few decades, the issue will only grow in terms of quantity and quality of its complexity.

The article that inspired this presentation will be soon publicly shared; it will also be shared in an upcoming international conference in Brussels next November:

High-level Conference on "Social Security Systems in Developing Countries" held by the Friedrich Ebert Stiftung in Brussels on November 13th at the European Parliament.



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