Unconditional Child Grant in Mozambique: Microsimulation of its Impact on Poverty and Inequality

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Problem and motivation

- Poverty rate is high, particularly among children:
  - 46.1% of the adults, 51% of children are monetary poor

- Deteriorating human capital:
  - Half of the children are multidimensionally deprived (46.3%);
  - Three fourth (68.4%) do not complete primary education;
  - 42% of 0-5 children suffer chronic malnutrition (stunting);

- **Search for policy priorities and better use of available resources** under reduced fiscal space (post-2016 context)

Broad agreement: CASH has broad impacts on household & child wellbeing

Impacts	Evidence
Household poverty, consumption/expenditures, food security & financial standing (e.g. assets, savings, productive activities, coping with shocks)	Yes
Children's education, particularly school enrollment, material wellbeing, young child feeding & dietary diversity	Yes
Household & community-level multipliers	Yes
No negative impacts on alcohol use, violence or fertility	Yes

Potential for impacts on additional outcomes -- on child nutrition, safe transitions to adulthood → however these are complex outcomes & depend on program design & context

Mozambique Government shows growing commitment to Social Protection

ENSSB II (2016-2024):

- Increase in participants: from 428,000 in 2014 to 567,000 in 2018
- Largest programme envisaged – **Child Grant scheme**. Piloting is currently underway in Nampula Province

ENSSB II includes expansion of the Basic Social Allowance (PSSB) which includes an **allowance to the elderly** and allowance for incapacity

Research Questions:

- Can the Universal Child Grant have larger impact on poverty and inequality compared to cash transfer to the elderly and at what cost?

- Can the Universal Child Grant be fiscally sustainable?

Data and methodology

- Household data from the 2014/15 Household Budget Survey (**IOF**);
- **Static** simulation with assumptions:
  - Administrative costs not considered (14-20% of budget)
  - Demographic/macroeconomic conditions don't affect the results and vice versa
  - Resource allocation to all household members
- Key **target groups**:
  - Children 0-2 years for the Child grant;
  - Elderly aged 60 or older for the Elderly grant;
- **Cash amount** is set to 600 meticals (2/3 of poverty line)
- **Outcome variables:**
  - Poverty headcount (adults and children);
  - Poverty gap and poverty gap squared (not shown)
  - Gini index (not shown)

Scenarios for simulation

A. Universal (**national**) Child Grant – "high" transfer value (600 MT) and maximum coverage to **all** 0-2 chidren. The results are compared to the Elderly Grant

B. Universal Child Grant under the **ceiling budget** allocation (1% GDP): low transfer value - highest possible (327 MT) to **all** 0-2 chidren

C. Total budget amount for the Child Grant is fixed to 1% GDP. Geographic targeting with high transfer value (600 MT) **all** 0-2 children in **poorest districts**

Results: Scenario 1

- Universal – “high” transfer value
  - 2/3 of the poverty line (600 mt) to **all** 0-2 chidren

	Baseline	Scenario 1
	No child grant	Universal transfer
Transfer value (per child per month)	-	600
Number of beneficiaries	-	2580281
Poverty rate	46.09	41.43
Number of people out of poverty		1.2 million
Child poverty rate	51.75	41.70
Amount of total transfers (year), million Mt	-	18,580
Amount of total transfers (year), million USD	-	309

Results: Scenario 1, child grant vs PSSB

	Scenario 1	Universal PSSB
	Universal transfer	Universal transfer
Transfer value (per child per month)	600	600
Number of beneficiaries	2580281	1405513
Poverty rate	41.4	43.6
Number of people out of poverty	1.2 million	635,000
Amount of total transfers (year), billion Mt	18,5	12,0
Amount of total transfers (year), million USD	309	200

	Scenario 1	Universal PSSB
	Universal transfer	Universal transfer
Transfer value (per child per month)	387	600
Number of beneficiaries	2580281	1405513
Poverty rate	43.1	43.6
Number of people out of poverty	766,000	635,000
Amount of total transfers (year), billion Mt	12,0	12,0
Amount of total transfers (year), million USD	200	200

Results: Scenario 2

- Universal, fixed overall budget – low transfer value
  - Highest possible value (given the budget) to **all** 0-2 chidren

	Baseline	Scenario 2
	No child grant	Universal transfer
Transfer value (per child per month)	-	327
Number of beneficiaries	-	2580281
Poverty rate	46.1	43.6
Number of people out of poverty		653,000
Child poverty rate	51.75	46.3
Amount of total transfers (year), billion Mt	-	10 (~1% GDP)
Amount of total transfers (year), million USD	-	170

Results: Scenario 3

- Fixed overall budget, geographically targeted beneficiaries – high transfer value
  - 600 mt to **all** 0-2 children in poorest districts (74)

	Baseline	Scenario 3
	No child grant	Poorest districts
Transfer value (per child per month)	-	600
Number of beneficiaries	-	1.4 million
Poverty rate	46.1	43.4
Number of people out of poverty		691,000
Child poverty rate	51.75	45.7
Amount of total transfers (year), billion Mt	-	10 (~1% GDP)
Amount of total transfers (year), million USD	-	170

Summary

	Baseline	Scenario 1	Scenario 2	Scenario 3
	No child grant	Universal transfer	Universal transfer	Poorest districts
Transfer value (per child per month)	-	600 mt	327 mt	600 mt
Number of beneficiaries	-	2.6 million	2.6 million	1.4 million
Poverty rate	46.1	41.43	43.6	43.4
Number of people out of poverty		1.2 million	653,000	691,000
Child poverty rate	51.7	41.7	46.3	45.7
Amount of total transfers (year), billion Mt	-	18,6	10 (~1% GDP)	10 (~1% GDP)
Amount of total transfers (year), million USD	-	309	170	170

Conclusions

- **Methodological:** Albeit static and basic model, a good starting point for policy maker and researchers

- **Policy messages:**

  - Universal child grant is more effective in reducing poverty than the universal PSSB, particularly child poverty
  - Yet, it is **the universal coverage** that brings substantial gains
  - As expected, the Universal child grant is relatively more expensive than the universal PSSB (and likely big admin/logistic challenges)
  - Geographic targeting has potential