Universal Social Protection

Country Cases

Global Partnership for Universal Social Protection USP2030

WORLD BANK GROUP

International Labour Organization

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Introduction

Transforming our World: The 2030 Agenda for Sustainable Development, was adopted by Heads of State and Governments in September 2015 as a plan of action for people, planet and prosperity that calls for eradicating poverty. All countries and all stakeholders, acting in collaborative partnership, are called to implement this plan.

Sustainable Development Goal 1 (SDG1) calls for ending poverty in all its forms and dimensions, including eradicating extreme poverty by 2030. It aims to ensure that all people enjoy a basic standard of living, including through social protection systems. Countries are called to ensure social protection systems for all, including floors for the poor and vulnerable, increase access to basic services, and support people harmed by climate-related extreme events and other economic, social, and environmental shocks and disasters. **Target 1.3 (Goal 1)** seeks to implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable.

The Global Partnership for Universal Social Protection (USP2030) was established to support this objective. The USP 2030 was launched in September 2016 at the time of the UN General Assembly, by the International Labor Organization (ILO) and the World Bank Group (WBG) in partnership with the African Union, the Food and Agriculture Organization (FAO), the European Commission, the Inter-American Development Bank (IDB), Organization of Economic Cooperation and Development (OECD), the United National Development Programme (UNDP) and its International Poverty Centre for Inclusive Growth (IPC-IG), the United Nations Children's Fund (UNICEF) and others, along with Belgian, Finnish, French and German development cooperation, and international civil society organizations such as HelpAge, the International Council of Social Welfare (ICSW), Save the Children, among others.

The objective of USP2030 is to increase the number of countries that can provide universal social protection, supporting countries to design and implement universal and sustainable social protection systems, joining efforts of the international agencies, donors, and governments in *providing social protection coverage for all people*. Universal coverage and access to social protection are central to ending poverty and boosting shared prosperity, the World Bank's twin goals by 2030. Universal social protection coverage is at the core of the ILO's mandate, guided by ILO social security standards including the Social Protection Floors Recommendation No. 202, adopted by 185 Member states in 2012. Many countries have embarked in expanding social protection coverage and are reporting significant progress. However, the poorest countries continue to have enormous coverage gaps. The ILO's "World Social Protection Report 2017-19 on Universal Social Protection to Achieve the Sustainable Development Goals" indicates that despite significant progress in the extension of social protection in many parts of the world, only 45 percent of the global population are effectively covered by at least one social protection benefit, while the remaining 55 percent – as many as 4 billion people – are left unprotected.

Universal social protection refers to the integrated set of policies and programs designed to provide income security and support to all people across the life cycle, with particular attention to the poor and the vulnerable. Universal social protection includes adequate cash transfers for all who need it, especially: children; benefits/support for people of working age in case of maternity, disability, work injury or for those without jobs; and pensions for all older persons. This protection can be provided through social insurance, tax-funded social assistance/safety nets benefits, public works programmes and other schemes guaranteeing basic income security. Social protection programs aim at specific demographic groups of the population (e.g., children, persons with disabilities, women and men of the working age, older persons, etc.) and at households in chronic or transient (for instance, caused by shock such as a natural disaster) poverty. The objective of the social protection programmes is often not only to provide income support, but also to build up resilience to shocks and enhance connections to productive activities.

Social Protection systems when well-designed and implemented are a critical part of the foundation for sustained social and economic development – for individuals, households, communities, and societies. This development role of social protection manifests itself in many ways, such as: (i) it prevents and reduces poverty, promotes social inclusion and dignity of vulnerable populations; (ii) it contributes to economic growth through increases in consumption, savings and investment at the household level and macro level; (iii) it promotes human development and formalization; (iv) it increases productivity and employability by enhancing human capital and productive assets; (v) it protects individuals and families against the losses due to shocks, whether they be pandemics, natural disasters, or economic downturns; (vi) it builds political stability and social peace, reducing inequalities, social tensions and violent conflict; enhancing social cohesion and participation; (vii) it is a human right that everyone, as a member of society, should enjoy, including children, mothers, persons with disabilities, workers, older persons, migrants, indigenous peoples and minorities.

Countries have many options/pathways to achieve universal social protection coverage. USP2030 partners will work with countries to help advance the universal social protection agenda, recognizing: (i) national ownership of development processes towards universal social protection; (ii) the choice of countries to aim for gradual and progressive realization or immediate universal coverage; (iii) the heterogeneity in the design and implementation of universal social protection schemes. In other words, building the road to USP should recognize that every country case is unique as countries have a wide set of options to achieve universal social protection coverage. Generally, universality is achieved by combining contributory and non-contributory schemes. As the compilation of the country case studies in this volume demonstrates, some countries have opted for an explicit universal coverage of specific population groups (e.g., universal old age social pensions in Botswana, East Timor, Georgia, Namibia and Zanzibar/Tanzania) while others have employed a combination of public social insurance and social assistance to building up coverage (e.g., Brazil, Cabo Verde, China, Thailand, Trinidad and Tobago). Some countries have the principles of universalism (universal rights) embedded in their national constitutions (e.g. Bolivia, South Africa), whereas others have pursued those principles without constitutional provisions. Universal social protection is most commonly started with universal old-age pensions (as most country case studies in this volume indicate), but some countries have opted to make universal, separately or in parallel, benefits for children (e.g., Universal Child Money Program in Mongolia and Universal Child Allowance in Argentina), people with disabilities (e.g., Universal Disability Grants in South Africa), and mothers (e.g., Universal Maternity Protection in Argentina).

Countries have used many options to finance universal social protection. Those options include: (i) re-allocating public expenditures (e.g., from financing public subsidies to financing specific programs); (ii) increasing tax revenues, including revenue generated from taxation of natural resources; (iii) using the reductions of debt or debt servicing; (iv) expanding social security coverage and contributory revenues, among other financing options. Regardless of financing mechanisms and sources, universal social protection systems should be equitable and sustainable.

This publication presents country examples that document different pathways to achieve universal social protection coverage. These country cases encompass a wide range of programs, country settings and regions, including Sub-Saharan Africa (Botswana, Cabo Verde, Lesotho, Namibia, South Africa and Zanzibar), Europe and Central Asia (Azerbaijan, Georgia, Kosovo and Ukraine), Latin America and Caribbean (Argentina, Bolivia, Brazil and Trinidad and Tobago), East Asia and Pacific (China, Mongolia, Thailand and Timor-Leste), and South Asia Region (Maldives, Nepal). As all these case studies indicate, there is no "one size fits all" in achieving universal social protection objectives. Every country has its own vision and path for achieving it, depending on the country priorities, financing and implementation capacity.

This is a first of such publications under the Global Partnership for USP2030. One of the objectives of the partnership is to continue documenting cases of universal social protection to show that universal social protection is feasible in developing countries and to share knowledge that supports the achievement of the USP2030 initiative.

Argentina

Universal social protection for children and adolescents

In 2009, the Universal Child Allowance (UCA) was introduced in response to the effects of the global crisis, and with the aim of consolidating several non-contributory transfer programmes for families with children. This non-contributory cash transfer programme expanded coverage to children under age 18 (and disabled children without any age limit), as well as to unemployed workers, informal workers, domestic workers and *monotributistas* (*Monotributistas* are mainly low-income, self-employed workers participating in the Simplified Regime for Small-scale Contributors, known as the *Monotributo*. This is a simplified, integrated tax system that rolls income, value-added and social security taxes into a single monthly payment).

The provision of income insurance for families with children and adolescents is made up of three components: contributory family allowances (CFA), non-contributory family allowances and tax deductions from income (tax on earnings) for higher-income workers with children.

Main lessons learned

- The integration of the contributory and non-contributory components is a strategy to guarantee the consolidation of "comprehensive social security systems" and to ensure the universal protection of children and adolescents, in accordance with the provisions of ILO Social Protection Floors Recommendation, 2012 (No. 202) and the Convention on the Rights of the Child.

- The introduction of the UCA has enabled the development of a system to support the income of families with children, according to the employment status of the adults responsible for the children and adolescents and the income earned. The system has three components: contributory component, non-contributory component and tax deductions for higher-income workers.

- Studies have shown that the policy to extend social protection through the UCA has had a major impact on reducing extreme poverty and inequality and on increasing school attendance of adolescents aged 16 and 17.

Coverage data

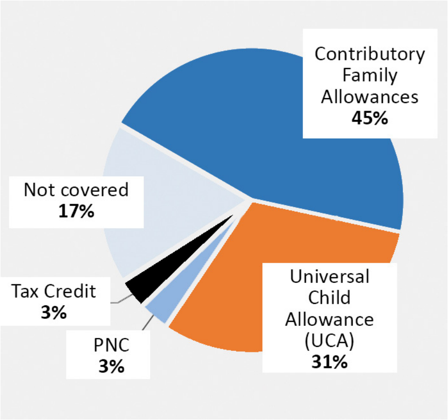
Together, these three components reach approximately 83 per cent of children and adolescents in Argentina. In absolute terms, some 10.3 million children and adolescents are covered by an income transfer mechanism.

1. Background

Since the late 1990s, several initiatives have been introduced to provide income security for households with children. During the 2000s, social assistance programmes used the presence of children in the household as a reference, and programmes for the social protection of children were even implemented at the sub-national level. The UCA was introduced in Argentina as a result of years of intense discussion on proposals designed to universalize protection of children and adolescents. One of the most noteworthy proposals was the extension of family allowances. The almost universal coverage achieved is due to several factors, most notably the implementation of the UCA, the increase in formal employment that expanded contributory coverage levels and the incorporation of monotributistas in the CFA component (April 2016).
Also of note is the extension of non-contributory pensions to mothers of seven or more children, which provides income security to large families (between 2003 and 2014, the number of main beneficiaries increased by 471 per cent).

In legal terms, the UCA was created through a Decree of the National Executive Branch (1.602/09), which modified the Law of Family Allowances (N° 24.714).
This decree established the incorporation of a non-contributory sub-system within the General Family Allowance Regime. In other words, both types of benefits are now regulated by this Law.

Figure 1: Overview of social protection coverage for children by programme



2. Structure and main characteristics of protection of children and adolescents

As mentioned, the provision of income security for children and adolescents in Argentina has three components:

- **Contributory family allowances (CFA)**, composed of the “Family Child Allowance,” which covers the dependents of formal middle- and low-income employees, beneficiaries of certain social security guarantees (unemployment and work injury) and, since April 2016, dependents of workers of the *Monotributo* regime.

- **Non-contributory family allowances**, composed of the Universal Child Allowance (UCA), which is a semi-conditional cash transfer for each child and disabled child of unemployed workers, those of the informal economy, social *monotributistas* and domestic workers.

  The cash transfer is semi-conditional: the 80 per cent is granted through the usual system of social security payments while the remaining 20 per cent is paid once the main beneficiary confirms health checkups, immunization records and certification of completion of the school year of children and adolescents, whichever is the case.

  The UCA is a component of the non-contributory pillar, together with family allowances for dependents of beneficiaries of old-age pensions and of beneficiaries of certain non-contributory pensions (disability and former soldiers in the Falklands War).

- **Deduction or tax credit for each child**, for higher-income workers who pay income tax. The tax credit is the component available to higher-income workers who pay individual income tax.

Low-income beneficiaries of the FCA and UCA beneficiaries receive the same amount ($ 966). In 2015, the automatic mobility of benefits (twice annually) based on the pension mobility index was established by law.

The National Social Security Administration (ANSES) is responsible for managing both contributory and non-contributory family allowances. In other words, the ANSES receives applications, processes and evaluates them and pays both benefits).

The integration of the contributory and non-contributory components (CFA and UCA) pave the way for the consolidation of a "comprehensive social security system" as established in the ILO Social Protection Floors Recommendation, 2012 (No. 202).

Nearly six years after the UCA was implemented, evidence indicates that these social protection programmes of high coverage do not have a negative impact on labor market variables. This positive result is largely due to the coordination among programmes that guarantee income and to active labour market policies.

Several factors explain the fact that 17 per cent of children and adolescents are not covered under any scheme. This group mainly includes children and adolescents whose parents: i) are employees with higher earnings – or slightly lower earnings – than the established ceilings; ii) they are higher-income *monotributistas*; iii) they are independent workers; or iv) they are immigrants residing in the country for less than three years. The situation of children and adolescents not under family care should also be mentioned given that they are not included in any of the current protection components. Moreover, there are children and adolescents who are eligible for one of the established schemes but who do not receive benefits for a variety of reasons, especially: problems associated with family relations; problems associated with their or their parents' identification documents; and non-compliance with some requirements for access.

3. Financing

The contributory component is financed through employers' contributions to social security while social security resources cover the cost of the UCA.

As a result of the expanded coverage, the resources allocated to cash transfers for children and adolescents have been sharply increased. In 2014, the amount allocated to the protection of this segment of the population was 1.04 per cent of GDP, where the principal components were the UCA (0.50%), the CFA (0.46%) and the family allowances for people receiving an old age pension (0.08%).

4. What is the impact of the UCA?

Policies to extend social protection, in this case the UCA, had considerable impact in terms of reducing extreme poverty and inequality. Studies (Bertranou, 2010; Maurizio and Vázquez, 2014) have shown that UCA reduced poverty rates, especially extreme poverty. There is also empirical evidence that suggests that the UCA contributes to improved income distribution, as measured both by the Gini coefficient and in terms of income gaps (Hintze and Costa, 2014 and Curcio and Beccaria, 2013). Additionally, some studies found that the UCA had a positive impact on school attendance of adolescents aged 16 and 17 (the group with the highest dropout rates) as well as on reducing child labour (Jiménez and Jiménez, 2015). Nevertheless, given the lack of available standardized data, more evidence is needed on the impact of this programme on school attendance, particularly with respect to secondary school.

The implementation of this policy also led to a 50 per cent increase in the number of children enrolled in the SUMAR Plan – guaranteed health benefits – and a 14 per cent increase in the number of pregnant women enrolled (MSAL, 2012).

5. What are the challenges?

The main challenges for policies to guarantee income security for children and adolescents can be summarized as follows:

- Despite efforts to increase UCA coverage, the challenge remains to incorporate a large number of eligible children and adolescents who for different reasons face barriers to accessing the benefits.

- The role of established conditions needs to be redefined to emphasize the concept of the "universal right" of children and adolescents to health and education.
- The sufficiency of UCA benefits should be assessed in an effort to enable children and adolescents to get out of poverty.
- A micro-assessment of the UCA should be conducted to identify bottlenecks and propose reforms that help facilitate programme implementation and compliance with established conditions.

This Universal Social Protection brief was produced by Alejandra Beccaria, Luis Casanova and Pablo Casalí of the ILO, with contributions from Sebastián Waisgrais and Javier Curcio of UNICEF. It was reviewed by Isabel Ortiz of the ILO.

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Argentina

Universal maternity protection

Argentina's Constitution provides for the protection of pregnant and lactating female workers. Social protection in the case of maternity includes maternity protection in the workplace, contributory and non-contributory family allowances and pensions for mothers with 7 or more children. In addition, several programmes provide universal access to basic social services such as the programme SUMAR which offers basic health services including antenatal and postnatal consultations and delivery. The national legal framework also provides paid and unpaid maternity leave and paid paternity leave for registered workers.

1. Towards universal maternity protection

Maternity protection in Argentina encompasses both transfers in cash and in kind. It includes income security measures through a number of social transfer programmes, universal access to basic social services and provisions for maternity leave. Argentina's maternity protection policy is in line with the Social Protection Floors Recommendation, 2012 (No.202).

Main lessons learned

- In line with ILO's Recommendation No. 202, maternity protection in Argentina encompasses both transfers in cash and in kind. It includes income security measures through a number of social transfer programmes, universal access to basic social services and provisions for maternity leave. Universal maternity protection in Argentina had impressive results, child and maternal mortality have been reduced by 34 per cent and 24 per cent respectively.
- The contributory and non-contributory programmes are administered by the National Social Security Administration (ANSES); complementary health programmes are operated or regulated by the National Health Ministry; good coordination among institutions is required to guarantee a comprehensive maternity protection.
- The establishment of an adapted legal framework ensures the sustainability of social protection programmes.

2. How is the system organized?

Contributory programmes include maternity protection in the work place and family allowances. To extend maternity protection to uncovered groups, two non-

contributory allowances were established in 2009 and 2011 respectively: the universal child allowance (Asignación Universal por Hijo) and the pregnancy allowance (Asignación por Embarazo).

The contributory and non-contributory programmes are administered by the National Social Security Administration (ANSES). Out of a total number of 13 million children and teenagers below the age of 18 years, the Universal Child Allowance and Pregnancy Allowance cover 7 million, i.e. a coverage rate of 53.8 per cent. In addition, income tax reductions are applied to families with children. The combination of the two programmes and income tax deductions brings the coverage to 74.3 per cent of all children below the age of 18 years. At the same time, the National Commission for Social Pensions of the Ministry of Social Development administers the pensions for mothers with 7 or more children.

Table 1. Social transfers programmes

Programme	Provisions	Beneficiaries
Beneficiaries Contributory programmes		
Maternity protection in the work place	Monthly income replacement equivalent to 100% of the workers' salary	Employees covered by the Law on work related risks and unemployment protection
Family allowances	• Prenatal: between AR$ 199 and 2,084 (US$ 13 and 141) per month • Per birth: AR$ 1,125 (US$ 76) • Per adoption: AR$6748 (US$ 456) • Per child: between AR$ 199 and 2,084 (US$ 13 and 141) per month • School allowance: between AR$ 808 and 1615 (US$ 55 and 109) per year	Same as above, plus beneficiaries of the pension system and non-contributory pension, up to a maximum monthly family income set in the Law (of AR$ 60,000 = US$ 4,054)
Non-contributory programmes		
Universal Child Allowance	AR$ 966 (US$ 65) per month per child, with conditionalities on health and education	Beneficiaries of the Monotax, unemployed persons, workers in the informal economy with income levels below the minimum wage, domestic workers
Pregnancy Allowance	AR$ 966 (US$ 65) per month starting from week 12 of pregnancy and until the child birth or the interruption of pregnancy	
Pensions for mothers with 7 or more children	Lifetime monthly amount equivalent to the minimum old age pension of AR$ 4958.90 (US$ 335) (ANSES, March 2016)	Mothers with 7 or more children (own or adopted children)

Source: Decree 1141/2015-Family allowances from March 2016 onwards

As far as universal access to basic social services is concerned, female workers in the formal economy can access social health services of trade unions. They can also access prepaid health care services in private clinics and sanatoriums. The programme SUMAR plays an important role as it provides access to basic health care to vulnerable families with the objective to reduce child and maternal mortality, strengthen access to health care for school age children and teenagers, and improve the overall care provided to women through regular health check-ups.

The Programme SUMAR was created in 2012 in the context of the extension of coverage of the Plan Nacer (2005). The Programme SUMAR contributed to facilitate access to health care for pregnant women and children up to 6 years of age. It was then extended to children and teenagers of between 6 and 19 years of age, and consequently to men and women of 20 to 64 years of age that are without any contributory social health protection. In 2015 the Programme SUMAR was covering 13 million people. According to the national census, the population without any social health protection was 14 million in 2010. Therefore the Programme SUMAR has contributed to significantly close the social health protection gap in Argentina.

The programme is operated by the National Health Ministry and is financed from the public budget. It is linked with the Universal Child Allowance and the Pregnancy Allowance.

In addition the national legal framework includes paid and unpaid maternity leave for female workers in registered or formal employment. Although there are some differences between the maternity leave in the public and private sectors, in both cases the benefits are of 100 per cent of the salary during the total period of the maternity leave. The benefits are financed from the social security.

Table 2. Health services

Sub-system	Institutions	Coverage
Public system	Public provincial and district hospitals as well as primary health centres	Provides health services to all the population
	Programme SUMAR Essential public health functions programme (FESP) Programmes Remediar and Redes	Provides health services to the vulnerable population
System of social services	National social services system	Covers health risks for salaried workers and their families
Private subsystem	Enterprises providing prepaid health packages in sanatoriums and private clinics	Provides coverage to those that pay a premium

Source: ILO, Social Protection Platform (www.social-protection.org)

At the end of their maternity leave mothers can take an unpaid leave called “excedencia” to take care of their child during the first year of life (not clear if the excedencia lasts one year or if it ends when the child reaches one year of age). The unpaid maternity leave only applies to female workers in registered paid employment.

Men are entitled to a paternity leave of between two and five days and cannot benefit from the unpaid leave.

3. What are the main impacts on people’s lives?

Over the last ten years, maternity protection coverage was increased and reinforced by linkages and synergies between the various programmes. Thanks to major affiliation efforts of the Programme SUMAR, 230,000 children have entered the Universal Child Allowance and in 2014 47,000 women have automatically received the Pregnancy Allowance.

Existing Universal Child Allowance and Pregnancy Allowance combined with income tax deductions for families with children benefit 74.3 per cent of all children below the age of 18 years. The Programme SUMAR had also a significant impact by facilitating access to health care to 13 million people. These interventions have contributed to improve the quality of life of the most vulnerable families in Argentina and their implementation is one of the most significant progresses made in the fight against poverty.

Due to the linkages that exist between the programmes, the Universal Child Allowance and Pregnancy Allowance have in 2014 contributed to increase

Table 3. Maternity leave in the registered or formal sector

Selected measures	Legal protection	Maternity leave	Lactating periods
Private sector	Dismissals are prohibited during the pregnancy, the maternity leave and 7.5 months before and after the delivery date	90 days	2 periods of 30 minutes each until the child reaches 12 months
Public sector	Same rights as permanent staff members (Law on Labour Contract does not apply during the maternity period)	100 days for the 1st and 2nd child; 110 days for the 3rd child and beyond	2 periods of 1 hour each until the child reaches 12 months Option to reach or leave the office 2 hours in earlier or later

Source: Law No20.744 on the work contract and Law No. 25.164 on the regulation of the national public employment the enrolment of children and pregnant women in the Programme SUMAR by 50 per cent and 14 per cent respectively. Thanks to the extension of maternity protection in the past decade, child and maternal mortality have been reduced by 34 per cent and 24 per cent respectively. The Programme SUMAR was rewarded by the Geneva Health Forum and highlighted as a model and source of inspiration for other countries (Ministry of Health, 2015).

4. What are the main challenges?

One of the main challenges relies in the inclusion of the right to care as one of the components of the social protection system (ILO, 2014). To ensure that the right to care can become a reality, recommendations include:

- Ratify ILO's Maternity Protection Convention, 2000 (No. 183) in order to extend the duration of maternity leave from 12 to 14 weeks.
- Create the necessary legal framework to ensure that in enterprises with certain numbers of female workers, maternity rooms and child-care centres are established, in line with ILO's Workers with Family Responsibilities Convention, 1981 (No. 156) that was ratified by Argentina in 1988.
- Promote fathers' co-responsibility in child care by extending paternity leave to uncovered groups and increasing the duration of the paternity leave.
- Improve Labour Law compliance through prevention and inspection measures.
- Extend the maternity leave to female workers in the informal economy.

This Universal Social Protection brief was produced by Analía Calero. It was reviewed by Victoria Giroud, Fabio Durán-Valverde, Valerie Schmitt and Isabel Ortiz of the ILO.

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Azerbaijan

Universal Pensions

Universal coverage for old-age, disability and survivors: one step further to achieving social protection for all

Social protection has been one of the leading priorities of the Azerbaijan Republic for the past years. The pension system is representative of the country's ability to develop and implement universal coverage taking into account a large number of self-employed worker (almost 1 million), and an important informal economy.

Historically, Azerbaijan has inherited a universal soviet pension system which was underfinanced during first years of independence. The situation was characterised by political and economic turmoil of the early 1990s, as well as and large number of Internally Displaced Persons as a consequence of armed conflicts.

In 2001 the government has started a major pension reform for three main social risks: old-age, disability and survivors. The country rapid economic achievements were partially reinvested in social protection, which helped considerably reducing poverty and vulnerability. Indeed, social protection floors helped mitigating

Main lessons learned

- Azerbaijan illustrates how a former soviet republic can progress towards universal pension coverage, integrating important coverage constrains. Strong political commitment is key to develop an efficient system and to further reform it.

- Azerbaijan has demonstrated its willingness for reinvesting economic growth in social protection and generating higher benefits rates, progressively bringing them towards minimum subsistence revenues.

- The system was built to be highly adaptable to the ever-changing socio-economic structure of the country, and to cope with possible economic shocks. However, only partial indexation of pensions after the currency devaluation and high inflation in 2015 did not allow to cover the consequences of economic crises for the beneficiaries of pension schemes in Azerbaijan. In this regards, more efforts are necessary in order to ensure benefit adequacy.

- A multi-tier system guarantees a variety of resources and important dexterity of the system. However, the introduction of third pillar in the situation of economic turmoil on national and on regional financial markets can represent some difficulties.

- The wide coverage of the personal accounting system, based on a unique insurance-pension system, was facilitated by the introduction of a card system for payments.

the impact of economic crises, due to the country's heavy reliance on oil. However, recent downturn in oil prices and rapid devaluation of national currency in 2015 had an important impact on the real pensions' level.

1. What does the system look like?

Azerbaijan's social protection system is under the responsibility of the **Ministry of Labour and Social Protection of the Population (MLSPP)**. Since March 2016, the **State Social Protection Fund (SSPF)** was integrated in the structure of the MLSPP. Before, the SSPF had an independent structure and carried out important pension reforms in the social security branches.

The universal coverage in Azerbaijan is achieved for three major social risks:

- Old-age
- Disability
- Survivors

This universality is reached by combination of ***labour pensions*** (social security part) for those cleared minimum qualifying period, and ***social allowances*** for those who are not qualified to receive labour pension for three aforementioned risks (social assistance part).

Although since 2006 the labour pension system is based on a 3-pillars structure (basic pension + insurance part + voluntary savings), the third pillar was not really implemented.

A personal accounting system has been established in the mandatory state social insurance area, which enabled the provision of pensions and the transition to insurance principles. This was followed by the implementation of a card system in order to facilitate payments.

Coverage

At present there are 1.3 million beneficiaries of different labour pension schemes in the country (including old age, disability and survivor). It is necessary to add to this figure 0.2 million persons covered by social allowances for the same risks paid through MLSPP[1]:

Table 1. Overview of the number of labour pensions and social allowances beneficiaries

	Labour pensions	Social Allowances
Old-age	781 238	13 833
Disability	374 466	139 041
Survivors	144 242	41 286
Total	**1 299 946**	**194 160**

Sources: State Statistical Committee of Azerbaijan. Data on 01/01/2016

Officially, the coverage is universal because the entitlement is automatic (either on labour pension or on social allowance). However, some problems with coverage were observed in the past, especially related with official recognition of disability and thus entitlement of disability benefits.

In 2015, 3.09 million personal accounts were registered for social insurance part. However, an important layer of economically active population is registered as self-employed people, representing around 22 % of the employed population.

Benefit packages

At least 12 years of covered employment is required to be entitled to a labour pension. Since 1 January 2010, the retirement age is 63 for men and 60 for women, with possibilities of early retirement. Those not eligible for a labour pension are entitled to social pensions at the age of 67 for men and 62 for women.

The labour pension is calculated as the sum of three components: 1) a basic flat-rate benefit (110 AZN since February 2016) fixed directly by order the government, 2) insured part revised each year, based on the consumer price index and fixed by the formula SH=PSK/T where, SH-amount of insured part, PSK- pension capital recorded in the insurance part of the personal account of the insured from 1 January 2006 on the date of granting old-age labour pension plus pension capital for the mandatory social contribution years of insured person for the period of prior 2006, T- number of months (144 months according to legislation) of the expected pension payment period and 3) voluntary funded element.

The basic flat-rate pension as well as minimum pension are fixed in relation minimum wage in Azerbaijan which is 105 AZN since February 2016. The amount of these minimum standards have progressed during last years in order to reach progressively the subsistence minimum for the persons who are incapable of work, which is 115 AZN in 2016. This subsistence minimum for different categories of population is reconsidered every year based on basket of selected

[1] The MLSPP is paying other social allowances, but they are not making part of this note because they don't illustrate the universal approach.

commodities and services.
The average labour pension amount per month is 177.6 AZN in the beginning of 2016 (whereas average old-age pension of 197.6 AZN). The social allowances are fixed as follows: 66 AZN for old-age and disability, 61 AZN for survivors).
The pension adequacy represent an issue because the average replacement rate represents between 38% and 45 % compared to official salary. At the same time, the studies show the positive impact of universal pensions on the absolute poverty rate.

Financing

In 2014, 1,743,743.240 million AZN of social contributions were collected by SSPF. They were distributed as follows:

- Public entities (employers and employees): 36%
- Self-employed: 2%
- Other employers: 62%

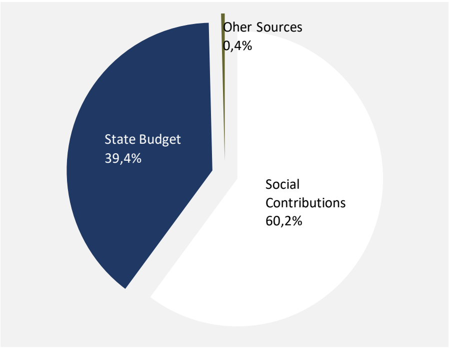
Employees pay 3% of their monthly gross income to the MLSPP, **employers** 22%. They are in charge of transferring the entire contribution to the MLSPP at the same time than the salary. In the end, half of the contribution will go on the employee's personal account.

Self-employed persons: 10 to 50% of the national monthly minimum wage (105 AZN in 2016). Different rates apply depending on the sectors and regions.

Land owners must contribute with rates depending of the land category. The rate per capita and per hectare, is 2% to 12% of the minimum wage.

Other categories: Civil servants, military, prosecutors, etc. have a special compulsory contribution.

Figure 1. Sources of financing of the insurance part of the pension system



Legal aspects

18 February 1997 – **Law "On Social Insurance" № 250-IQ**, which determines the legal, economic and organisational aspects of the social insurance.

27 November 2001 – **Law "On Personal Accounts in the State Social Insurance System" № 221-IIQ**, which regulates the data collection in the

personal individual accounts for the provision of social security rights in the future.

7 February 2006 – **Law "On Labour Pensions" № 54-IIIQ**, which introduced the labour pension rights of citizens, rules for the implementation and establishes a pension provision system.

2 July 2013 – **Law "On regulation of the checks which are carried out to areas of entrepreneurships, and protection of the rights of entrepreneurs", № 714-IVQ**, which regulates the firms audit by the government. It determines the rights and the obligations of the inspection bodies and entrepreneurs.

2. How was this achieved?

Historically, Azerbaijan has inherited universal soviet pension system which was critically underfinanced during first years of independence. Although the State Social Protection Fund was established in 1991, the basic information for management of pension system was missing: employment records and employment periods, income levels for workers who used to live in other Soviet republics. Furthermore, the situation was worsened by socio-political and economical cataclysms of the early 1990s and large number of Internally Displaced Persons.

Starting from the beginning of 2000s, the country's economic positive results set conditions for improvement in the socially oriented policy of the State. The social protection become a development priority of the government and the provisions are made in order to bring extremely law but universal social benefits close to subsistence minimums.

In 2001, with support of international organisations, the government adopted a 3-tier pension system reform concept, including a reinforcement of basic pay-as-you-go component, an additional mandatory insurance part, and a third voluntary scheme.

The second pillar was actually implemented in 2006 with introduction of individual accounts. The works on implementation of third pillar were under way during last years, however present economic situation represent a serious obstacle for such development.

Furthermore, up to 2006 Azerbaijan had universal child benefits coverage. However, these allowances (extremely low at that period) were transformed into Targeted Social Assistance (safety net mechanism).

Last reform has brought the State Social Protection Fund (SSPF) under the responsibility of the Ministry of Labour and Social Protection of the Population (MLSPP) in March 2016. This reform is intended to render more comprehensive the pensions system through better coordination between labour pensions and social allowances for the same categories of peoples. Furthermore, the government expects a reduction of administrative costs for the management of social protection system in the period of deficit of budgetary resources.

The insurance and pension reforms led to the creation of a system including functions related to social insurance, personal accounting and pension provision. The following documents contain guidelines for future reform and improvements:

a) Development Concept "Azerbaijan – 2020: The vision of the future" Article 7.3 sets the main goals of pension system, including voluntary social insurance and non-state pension funds.

b) State Programme on Development of the Insurance-Pension System in 2009-2015, was approved by a Presidential Order in 2008. It aims at developing a viable system and ensuring its continuous improvement, and to guarantee a proper pension provision.

c) Concept on the Pension Provision System Reform in 2014-2020 was approved by the Order of the President of the Republic of Azerbaijan on 4 November 2014 No.827. It offers recommendations based on international best practices and experiences, in order to establish a robust pension system and provision in the long run.

Overcoming constraints

The benefits adequacy in the social protection system in Azerbaijan represents an important issue. Although the government has demonstrated important efforts to bring the social protection benefits closer to the level of minimum subsistence standards of population between 2000 and 2015, the last developments in the economy of Azerbaijan have seriously undermined these policies.

The economic crisis and high inflation rates IN 2015 can represent an important threat, to the State capacity to deliver on the long-run pensions indexed on prices. Thus, the subsistence minimums themselves where only partially indexed after the devaluation of 2015. Scarce resources will be accompanied by a larger demand in terms of beneficiaries impacted by the crisis but also in terms of pension amount.

Table 2. Azerbaijan: Overview of key social, economic and demographic indicators

Region	Europe & Central Asia
Income level	Lower middle income
Annual population growth (2014)	1.2%
Population above 65 years old (2016)	5.6% of total population
Life expectancy at birth for women/ men (2014)	71.6 / 76.8
HDI (2014)	0.751 [78/188]
GDP (in billion current US$, 2015)	53,047
GDP growth (2015)	- 1.1 %
GDP per capita (current US$, 2015)	5 496,34
GNI per capita, Atlas method (current US$, 2015)	6560 $
General government final consumption expenditure (% of GDP)	12,51%
Minimum wage	105 AZN
Average salary in 2015	466,9 AZN
Labour force participation rate (% ages 15 and older, 2015)	66.1%
Employment to population ratio, ages 15-24, total (%) (modelled ILO estimate)	30.4%
Number of economically active population – thsd. Persons	4915,3
Unemployed persons, thsd. Persons	243,7
People benefiting from unemployment benefits	1543
Number of pensioners	1 494 106 (87 % through labour pensions and others through social allowances)
People benefiting from an old age labour pension	785 068
Amount of old-age social allowance	66 Azn
Amount of survivor social allowance	61 Azn
Amount of basic-flat rate benefit for old-age labour pension	110 Azn
Amount of the minimum pensions allocated	110 Azn
Poverty rate (2015)	5%
Urban population (2015)	54,62%

Sources:
World Development Indicator (WB/WDI)
Human Development Indicator (UNDP/HDI)
The State Statistical Committee of the Republic of Azerbaijan

Indeed, annual level of consumer price index defined by corresponding executive body is taken into consideration in case of re-establishing basic part of old-age labour pension. The insurance part of a labour pension and pension capital accumulated in the insurance part of a personal account are indexed at least once a year to the level of the consumer prices index established by the appropriate executive body.

The social insurance pensions financing represent several concerns. According to pension reform concept, the public budget was responsible for the financing of pension liabilities for the period of rights acquired before 1992. However, in reality the public budget covers only the difference between benefits which should be paid as labour pensions and the contributions collected through pensions system. In this regards, the effective introduction of third pillar of the pension system is difficult.

During last years the country has made a range of important efforts in coverage of population by social insurance mechanisms. If in 1990s the most of population was unaware of existence of pension system and was reluctant to pay any contributions. At present, most of employed persons in Azerbaijan are covered by social protections system. However, the informal economy and self-employed persons represent an important impediment in further extension of social security coverage. The actuarial forecasts show that if the present trend will continue, the number of beneficiaries of social allowances will raise because important part of population will note have any rights to labour pension[2].

3. What are the main results in terms of impact on people's lives?

Economic results demonstrated by Azerbaijan since 2000s due to positive dynamics of energy prices have enabled the Government to achieve an improvement of citizen's well-being, through reinforcing the qualitative aspects of the social protection system and economic development, based on international best practices. However, it is necessary to further develop a comprehensive insurance and pension system that reflect the country's economic and social situation.

During the recent years a number of important measures were taken in the area of improving the standards of living of the population, serious steps were made in the direction of improving the pension provision of the citizens.

According to the studies made in 2009, the social protection system had a very positive impact on the absolute poverty reduction. Thus, the universal social protection system had reduced the absolute poverty rate from 30.9% to 10.9 %, with special positive impact

[2] See Durin & Tretyak (2012)

of old-age and disability pensions[3]. Although the more recent figures were not found, the positive impact of universal social protection system on poverty elevation remains strong.

4. What's next?

Now that the first two tiers of the system (fixed allowance and insurance) are well established, Government plans to develop a third pillar, based on savings, as stipulated in the pension provision reform concept and in the development concept Azerbaijan 2020. This would diversify the financial sources of the pension system and thus its sustainability, while allowing higher pension rates. This pillar should nonetheless be developed taking carefully into account the inflation rates, economic situation and stability of financial markets.

Even if MLSPP has made great progresses in the modernisation of its controls functions, the system still fails to cover all medium and large insurers, and control are highly time-consuming. In this regard, the MLSPP (and SSPF as part of its structure) is planning to develop an automated fiscal control (e-audit) system crossing the various public database, in order to reduce the time spent on audits and develop automatic alert mechanisms, for all types of insurers.

Finally, a sustainable pension system requires sound analysis mechanisms based on actuarial calculations and statistical data, with the corresponding action plan. Harmonization of pension schemes with the country's socio-economic development, as well as building and strengthening capacity should enable Azerbaijan to define the long-term development priorities of these systems.

This Universal Social Protection brief was produced by Olivia de Vendeuvre of Expertise France. It was reviewed by Andrei Tretyak of Expertise France, and Isabel Ortiz, Mariko Ouchi and Loveleen De of the ILO.

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[3] Studer (2012)

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Bolivia

Universal Pensions

Renta Dignidad ("Dignity Pension"): Making the social protection floor a reality for all older people

Despite having the lowest GDP per capita in South America, Bolivia has achieved one of the highest coverage rates in old-age pensions. With the introduction of the non-contributory old-age pension Renta Dignidad in 2007, Bolivia closed coverage gaps and achieved universal coverage.

Renta Dignidad costs around 1 per cent of the country's GDP and is financed by public revenues generated from taxes on oil and gas production and dividends from a group of state-owned companies.

The impacts of Renta Dignidad on people's lives are remarkable. For example, the programme led to a reduction in the poverty rate by 14 percentage points at the household level. Renta Dignidad has secured the incomes and consumption of beneficiaries, reduced child labour, and increased school enrolment. In households receiving the benefit, child labour has been halved and school enrolment has reached close to 100 per cent.

Main lessons learned

- Bolivia's Renta Dignidad programme shows that universal social protection for older persons is achievable, even in developing countries.

- This non-contributory social protection programme has a significant impact on poverty reduction for older persons and other family members living with the elderly; ithas reduced poverty by 14 percentage points.

- Political will and the government's commitment are essential. In particular, increasing fiscal space is indispensable to significantly extending old-age pension coverage. Renta Dignidad is financed by revenues from natural hydrocarbon resources.

- Renta Dignidad is administered by the Ministry of Economy and Public Finance but the Bolivian Armed Forces have also played a critical role in achieving higher coverage rates in remote rural areas. There are over 200 payment points installed in military facilities and its mobile units.

- By boosting local demand, stimulating the rural economy, and improving civil registration in rural areas, the universal old-age pension is a driver of growth and development.

1. What does the pension system look like?

Renta Dignidad is a universal programme, i.e. there are no conditions or means tests to receive the benefit. Along with the country's conditional cash transfer programmes, Bono Juancito Pinto (for school children) and the Bono Juana Azurduy (for expectant and new mothers and their infants), Renta Dignidad is another step forward towards creating a national social protection floor.

Key figures

- Renta Dignidad reaches 91 per cent of the population over the age of 60.
- The monthly benefit amount is 250 bolivianos (BOB) (US$35.9) for beneficiaries without a contributory pension. BOB200 ($28.7) is paid to recipients of the contributory scheme.
- Involvement of the armed forces has played a critical role to achieve higher coverage rates in rural areas.

Benefit packages

The monthly benefit amount for retirees who are not part of the contributory pension scheme was raised in 2013 to BOB250 ($35.9) and to BOB200 ($28.7) for those covered by the contributory pension scheme. These amounts represent 38 per cent of the poverty line and 21 per cent of the minimum wage, respectively.

Financing

The scheme's cost (benefits plus administrative costs) amounts to roughly 1 per cent of GDP. It is financed from two sources: resources derived from a direct tax on hydrocarbons and dividends from nationalized public enterprises that are earmarked to finance the Renta Dignidad. The Government's revenue from the exploitation and sale of hydrocarbons has increased tremendously. This in turn has brought about a significant increase in fiscal revenues and hence fiscal space for financing social protection.

Legal aspects

Renta Dignidad was established in 2007 by Act No. 3791, replacing the previous social pension scheme known as BONOSOL. The benefit is guaranteed under the Constitution of 2009, which states that "all older persons have the right to a dignified old age, with human quality and warmth. The State shall provide a lifelong old-age pension in the framework of the integrated social security system, as stipulated by legislation." Eligible beneficiaries must be at least 60 years of age, be a Bolivian or naturalized citizen, be domiciled in the country, and have a national identity document.

Institutional arrangements for delivery

Renta Dignidad is administered by the Ministry of Economy and Public Finance with cooperation from the military and the national banking system in the delivery of benefits.

The pension is paid on a monthly basis. The payments are made in more than 1,100 payment centres across the entire country, including branches of financial institutions and National Armed Forces payment centres. Involvement of the armed forces has played a critical role in reaching high coverage rates in remote rural areas. There are more than 200 payment points installed in military facilities and its mobile units. All military mobile units are equipped with mobile satellite dishes. The centralized database of beneficiaries can be accessed from any place in the country, allowing beneficiaries to collect their pensions anywhere.

2. How was this major breakthrough achieved?

Consolidation of Renta Dignidad as a universal social pension can be explained by two main factors. First, in the course of privatizing public enterprises in 1995, half of the shares of these companies were sold to foreign investors, while around 48 per cent were granted to Bolivians 21 years of age or older. After the renationalization, the dividends generated by these enterprises were earmarked to finance the Renta Dignidad. Second, in 2006, the Government renationalized the hydrocarbon sector and recovered ownership and control of the country's natural hydrocarbon resources. The allocation of revenues from this sector was renegotiated with an 82 per cent share of revenues going to the State and 18 per cent to private companies. This allowed for the creation of fiscal space for financing social protection.

Figure 1. Cost of Renta Dignidad in percentage of GDP

Source: APS. Estadísticas 2014.

3. What is the impact on people's lives?

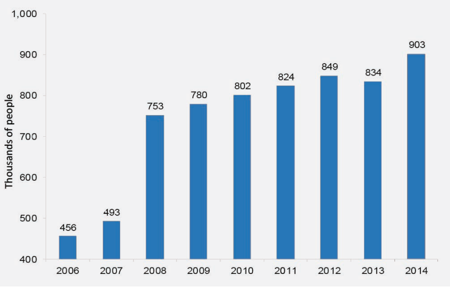
Outcome

Renta Dignidad is the first, and so far only, universal pension programme in Latin America. The effective coverage rate reaches more than 90 per cent of people over the age of 60.

Impact on people's lives

Renta Dignidad led to a reduction in the poverty rate at the household level by 14 percentage points. The pension stabilizes households' incomes and contributes to boost consumption levels. Positive impacts on child labour and education are also significant. A study conducted by UDAPE (Escobar Loza et al., 2013) shows that children living in households receiving Renta Dignidad benefits are less likely to be working (a reduction of 8.4 percentage points) compared to children in households that do not benefit from Renta Dignidad. Meanwhile, school enrolment rates were 8 percentage points higher in households receiving the social pension, making the enrolment rate close to 100 per cent for this group.

Figure 2. Number of Renta Dignidad beneficiaries



Source: APS. Estadísticas 2014.

Introduction of the Renta Dignidad programme, replacing the previous BONOSOL, reduced the minimum age for pension eligibility from 65 to 60, bringing out a significant expansion in coverage between 2007 and 2008.

Impact on the economy

The impact of social pensions on local development and formalization is well known. Before the introduction of the Renta Dignidad, there were many people of all ages without national personal identification (ID) documents in rural areas. The registration campaign conducted by the programme reached members of households of all ages, including working-age people. The growing number of people with personal IDs and the positive impacts of the social pension on local demand for goods and services in rural areas have contributed to the formalization of the rural economy.

4. What's next?

Bolivia has made significant efforts to universalize its social pension system. The Government is now focusing on improving the administrative and financial governance of the programme, improving the adequacy of benefits, as well as creating complementary linkages with other social protection programmes. Next steps include:

1. overcoming administrative issues to cover the remaining 10 per cent of older persons who are not yet part of Renta Dignidad;

2. maintaining and improving financial governance in order to ensure the sustainability of the programme in the long run;

3. exploring options for increasing the benefit level, which remains modest; and

4. continuing to strengthen the coordination mechanisms with other social protection programmes.

Bolivia's Renta Dignidad is a successful example of guaranteeing universal social protection for older persons. Such achievements would not have been possible without the strong political will and commitment of the Government to universalize the coverage of social pensions and secure financing sources for universal social protection policies.

This Universal Social Protection brief was produced by Fabio Durán-Valverde and Tomas Barbero of the ILO. It was reviewed by Rocco BUSCO of the European Commission, Charles Knox-Vydmanov of HelpAge, Isabel Ortiz and Valérie Schmitt of the ILO.

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Botswana

Universal old-age pensions

Botswana's social protection (SP) programmes, including its universal, noncontributory old age pension, are among the most extensive in continental Africa. At the same time, its efforts are among the least recognized. This is due in part to the country's small population; the fact that programmes are funded almost entirely from national revenues; limited published documentation; and a lack of international donor involvement. Botswana's long experience in extending social protection to its citizens deserves to be more widely known.

Main lessons learned

- A stable and competitive political system, a consistently growing economy, carefully managed national finances and a strongly-entrenched 'social compact' have provided highly supportive conditions for the building of Botswana's SP system over a period of 50 years, including the introduction of a universal old age pension.

- The universal pension and other SP programmes have contributed substantially to the reduction in overall levels of economic poverty and related deprivations. Extreme poverty in Botswana was reduced from 23.4 per cent in 2003 to 6.4 per cent in 2009-10. The universal pension has also contributed to the maintenance of a society with high levels of social harmony and cohesion.

- Short term responses to external shocks can also, under more broadly conducive conditions, provide impetus and opportunity for the expansion of routine SP measures.

- Institutionalizing the delivery of different SP measures within a range of government agencies has provided continuity and experience in implementation; but could benefit further from overall strategic coordination and stronger impact evaluation.

- Recent economic pressures have led to greater emphasis on issues of efficiency as a means of boosting th sustainability of SP systems. Botswana shows that this can be done without undermining the role of universal pensions as a key pillar of an inclusive national vision based on social harmony and justice.

The Universal Old Age Pension

Botswana's old age pension was introduced in 1996 as a universal benefit from the start. It provides a monthly cash transfer to all citizens aged 65 and above, who make up about 4.5% of the total population. The number of beneficiaries is very close to 100% of the estimated population in this age group, confirming a very high take-up. Monthly benefits are set at a level, equivalent to around US$ 30, which is estimated at just over a third of the food poverty line. This is arguably both quite modest and sustainable.

Transfers are made by the Ministry of Local Government and Rural Development through the Department of Social Protection to Post Office accounts. The beneficiaries use smartcards to redeem their dues at any Post Office or mobile Point of Sale Device. These are quite easily accessible to a population which is mainly concentrated in large villages and towns.

Beneficiaries are verified through a national registration card or, where necessary, by local assessment committees with the assistance of the Village development Committee. The elderly who are infirm appoint a proxy to collect the cash transfer on their behalf but need to fill a Life Declaration Form every 6 months and they are assisted in their homes for this purpose.

In 2012-13 the monthly payment was raised by 15% to compensate for inflation and in that year its total cost was Pula 279 million, equivalent to some US$ 34 million or roughly 0.2 per cent of Botswana's GDP.

Table 1. Botswana Universal State Pension: beneficiaries and expenditure

Year	Pension beneficiaries	Benefit (Pula)	Expenditure (Pula, mil)
2009-10	96,118	220	239
2010-11	94,252	220	240
2011-12	91,385	220	249
2012-13	93,639	250	279
2013-14	98199	250	304
2014-15	100,471	300	304
2015-16	102,323	330	394

Source: World Bank / BIDPA and Ministry of Local Government and Rural Development – Department of Social Protection

There is a 10% budgetary incremental needs every year due to the increase in the lifespan of the elderly attributed to good and free healthcare for the elderly.

1. How was this achieved?

At the World Summit for Social Development which was held in March 1995 in Copenhagen, Governments reached a new consensus on the need to put people at the centre of development.

Social development emphasizes social inclusion and social integration, not only support to the needy. It covers issues such as ageing, civil society, cooperatives, disability, employment, family, indigenous peoples, poverty, social integration, social protection and youth. It builds on notions of individual and community rights and entitlements, as well as on the state's responsibilities to all its citizens.

Social protection in Botswana was built through the gradual introduction of individual measures over several decades, within a highly stable and consistently-expanding national budgetary and institutional framework. Deliberative policy-making, linked to a tradition of village level consultations, has provided the basis for most of these initiatives.

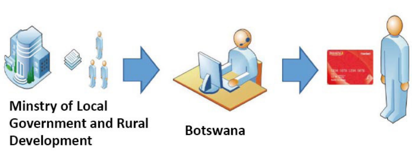
New programmes have gradually extended coverage to additional vulnerable groups. Maternal and young child food supplements, with strong initial support from partners such as the World Food Programme, were a feature of the early years after independence in 1966. Universal primary school meals, cash-for-work programmes and support to people in destitution were adopted in the late 1970s and early 1980s. The introduction of the universal pension was followed by benefits for orphans and vulnerable children in 1999.

Botswana's highly stable political system, civil service continuity and the rapid growth of revenues from diamond mining all helped to provide a positive environment for the expansion of SP programmes. Prudent fiscal management and the accumulation of currency reserves have enabled the maintenance of SP commitments in times of serious economic shock, such as 2008-09, without the need for recourse to donor funding. A strong 'social compact', in which persistent wealth inequalities are balanced by redistributive and basic service programmes, aimed at achieving poverty reduction and human development Goals, has been reflected in successive national development plans and strategic 'vision' documents. Social protection (or "safety nets") has consistently been viewed by the Government as a key pillar for achieving these Goals. Periodic multi-party 'competitive bid' elections have maintained a degree of pressure on the political leadership to maintain and periodically expand the range and scale of SP benefits. The stability of SP programmes has further been founded on their incorporation within central and local government agencies, in preference to setting up special implementing bodies.

The SP system has also evolved in the wake of external shocks and trends, such as severe droughts and the HIV/AIDS pandemic. Adoption of the old age pension specifically reflected concerns about the impact on older people of the weakening of inter-generational support traditions as younger people sought work in the cities. Botswana is notable in that grandparents and other relatives often play a direct role in the care and education of young children, particularly when parents have migrated for work. To some extent, also, Botswana's policy-makers may have drawn upon examples of near-universal pension systems in the wider southern African region, notably the national programmes in independent Namibia and post-apartheid South Africa.

Administrative structure

The Ministry of Local Government and Rural Development through the Department of Social Protection computes a payroll every month and sends it to BotswanaPost with the equivalent payroll total cash for payment of beneficiaries countrywide.



There are Pension Officers in the districts who attend to the queries of the elderly and refers them either to Headquarter or BotswanaPost for appropriate action.

Payment System

Payments are made through the Post Offices which have a wide network and where there are no post offices, they are made at the Kgotlal (Community meeting place). BotswanaPost sets payment schedules which are communicated by the Kgosi (Chief or local leadership) and they come on those set date to pay the elderly and beneficiaries of other cash transfers.
The Point of Sale Device uses the Biometric information of the beneficiary. At the initial registration of the beneficiary, their biometric data is captured and they have to use their finger (biometric data) as password for the release of funds.

2. What are the main impacts on people's lives?

Extreme poverty in Botswana was estimated at 6.4 per cent in 2009-10, a reduction from 23.4 per cent in 2003. However, general poverty was still estimated at 19.3 per cent and stunting among young children at around 30%.
The pension and other SP programmes, complemented by drought response and recovery measures, have undoubtedly contributed substantially to the reduction in overall levels of economic poverty and related deprivations. The SP system has quite reliably directed resources towards meeting basic consumption needs and for nutritional, educational and other human development investments.

Arguably, it has also contributed to the maintenance of a society with high levels of social harmony and cohesion. However, very limited evaluation work has taken place in the sector; and the impacts for older people, their relatives and other beneficiary groups have not been rigorously assessed through either quantitative or qualitative means.

Some analysts suggest that there may be considerable scope for obtaining greater impacts for Botswana's poverty reduction and human development Goals from its existing SP spending. This could be achieved, for example, through stronger inter-agency coordination and the utilization of a unified national social protection beneficiary registry. This could facilitate impact monitoring, the introduction of more efficient delivery methods. In the case of the old age pension, however, the simple, clear and universal approach appears to deliver a modest but reliable benefit which continues to be of particular importance to recipients in the greatest need.

3. What's next?

Since the global financial crisis of 2008-09, Botswana has faced several years of reduced economic growth and budgetary constraint. Botswana's diamond production capacity is also in medium-term decline. While spending on social protection is not a major component of GDP or the national budget, the intensifying fiscal pressures linked to fluctuations in diamond revenues have raised concerns around the financial sustainability of the current package of SP measures. At the same time, this is having a positive benefit of increasing the Government's focus on issues of programme efficiency and impact.

More broadly, Botswana is now considering the ways in which the different components of its SP framework could be more tightly woven into a strategic whole. This is taking place within the wider objective of building a more coherent and effective poverty eradication strategy, supported by better data and research on the causes of poverty than exists at present.

Major policy concerns are centred on the desire to promote greater self-reliance (ipelegeng) among citizens who are "able to help themselves". This is balanced by the need, articulated in the national "Vision 2016" statement, to maintain a "compassionate and caring society". While these concerns may lead to adjustments in existing programmes, the greater benefits for Botswana's national objectives to eradicate poverty and improve income distribution are likely to flow from a strategic vision for Social Protection that continues to reflect the principles of consensus-seeking and social justice on which this society is based. The universal old age pension is a strong and central expression of this vision.

This Universal Social Protection brief was produced by Richard Morgan of Save the Children, Isabel Ortiz of the ILO and Ruth Radibe of the Ministry of Local Government and Rural Development of Botswana. It was reviewed by Kagisanyo Kelobang and Loveleen De of the ILO.

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Brazil

Universal old-age pensions

1. What does the system look like?

Structure of the overall system

The Brazilian social protection system integrates different contributory and non-contributory strategies to achieve relatively high coverage in terms of people covered at old age (see Table 1). This policy brief is particularly interested in old-age pension coverage in the country, which is supported by two large contributory regimes and a (non-contributory) social assistance scheme. Civil servants and workers from the private sector (including the self-employed) have independent regimes—the Special Regime of Social Security and the General Regime of Social Security, respectively. Although mainly contributory, the General Regime also features a semi-contributory component targeted at smallholder farmers and rural workers. These regimes are supplemented by a social assistance scheme that grants means-tested benefits (Benefício de Prestação Continuada – BPC) to older people (men and women aged 65 or over) and to people with disabilities (irrespective of age).

Main lessons learned

Coverage

The expectation that increasing coverage of social insurance would eventually lead to universal old-age coverage proved to be too optimistic. Almost universal old-age coverage in Brazil relies on a combination of contributory, semi-contributory and non-contributory benefits.

Adequacy of benefits

The adequacy of benefits is an important element to prevent older people from continuing to live in extreme poverty. In Brazil, both semi- and non-contributory schemes pay relatively high benefits, whose value is one minimum wage. This means that unskilled workers tend to have a replacement rate close to 100 per cent. Extreme poverty among older people is negligible (0.4 per cent).

Sustainability of the system

The rising costs of the system—much higher in Brazil than one would expect based on its demographic structure—is cause for concern, especially regarding benefits paid to people under 60 years of age. Rapid ageing has put more pressure towards a pension reform—the third one of its kind since the country's re-democratisation in 1984.

Coverage

Taking into account both social security and social assistance benefits, the country has nearly universal old-age coverage: as of 2014, 89.2 per cent of those aged 65 and over have received a social security or social assistance pension, according to the National Household Sample Survey (PNAD/IBGE, 2014).

Benefits

Both contributory regimes provide coverage for old age from ages of 65 (men) and 60 (women). Smallholder farmers and rural workers in the semi-contributory scheme are also covered from ages of 60 (men) and 55 (women). BPC covers for old age from the age of 65 for both men and women.

Benefit levels are earnings-related for contributory regimes and the minimum benefit level is equivalent to one minimum wage.

Smallholder farmers and rural workers are entitled to a flat-rate benefit, equivalent to one minimum wage.

Social assistance benefits are also flat-rate, corresponding to one minimum wage.

Financing

Contributory benefits are financed by the employed and employers on a pay-as-you-go basis. Payroll contributions cover most of the expenditures, but since both regimes are faced with deficits, social contributions (mainly composed of consumption and corporate income taxes) also finance the system. Social contributions also finance the social assistance scheme.

Smallholder farmers and rural workers pay a tax on sales of agricultural produce (if any).

Legal aspects

Both contributory and non-contributory schemes are defined in the Federal Constitution and in specific Laws (cf. Table 1).

Institutional arrangements

Social security and social assistance benefits are managed by the National Institute of Social Security (INSS), a Central Government institution. The INSS has offices in 1,500 municipalities (out of the country's total of 5,570).

2. How was this achieved?

Political economy

Up until the early 1970s, the Brazilian social protection system continued to rely fundamentally on social insurance schemes, which were introduced in the 1920s for railroad workers and were expanded since then, gradually covering the entire formal labour market and a

Table 1. Main aspects of the old age social protection coverage in Brazil

	Contributory Social Protection		Non-contributory social protection
Regime/ programme	Special Regime of Social Security	General Regime of Social Security	Traditional social assistance
Potential beneficiaries	Civil servants	Private sectors workers	Poor older people and the disabled
Old age coverage (65+)	89.2 per cent		
Benefits – age of entitlement	At the ages of 65 (men) and 60 (women)	Urban workers at the ages of 65 (men) and 60 (women). Smallholder farmers and rural workers at the age of 60 (men) and 55 (women)	At the age of 65
Benefit level	General rule: earnings related. Basic value: minimum wage (R$ 880) Rural pensions: one minimum wage (R$880)		One minimum wage (R$ 880)
Financing	PAYG. Payroll contributions and social contributions (corporate income tax and tax on goods and services). Rural pensions: tax on sales of agricultural produce.		Social contributions (corporate income tax and tax on goods and services)
Legal reference	Fed. Constitution, Art. 40. Law n° 8.112	Fed. Constitution, Art. 201. Laws n° 8.212 and n° 8.213	Fed. Constitution Art. 203 Law n° 8.742
Institutions responsible for the operation	Central, State and local administrations	National Social Security Institute – INSS	National Social Security Institute – INSS

Source: Author's elaboration.

small portion of the self-employed. In the 1970s, the first semi-contributory schemes emerged, covering poor older people and disabled people, on the one hand, and smallholder farmers, on the other. These schemes used to pay benefits at a lower level compared to contributory social insurance benefits and limited women's access to rural pensions: (i) both schemes used to pay a flat-rate benefit equivalent to half a minimum wage; and (ii) only one benefit could be paid to each family of smallholder farmers and rural workers. Since it was usually men who applied for the benefit, women remained largely uncovered. Benefits paid to poor older people and the disabled required at least one year of contribution to social insurance (or a single contribution, if paid after the age of 65). Due to these light contribution requirements, these benefits did not fit precisely into the category of social assistance.

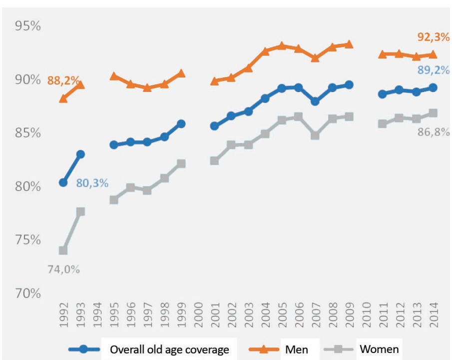
The expansion of old-age coverage in the 1970s (with the emergence of the first semi-contributory pensions) occurred amid a period of fast economic growth and lack of democracy. The country was in the middle of a long period of military dictatorship (1964-1984), and experiencing double-digit yearly GDP growth rates. The emergence of these schemes may be interpreted as an act by a non-democratic regime to seek legitimacy.

In the second half of the 1980s, the political and economic context was substantially different. The country was going through a very difficult economic period, deeply affected by hyperinflation, but the end of 20 years of dictatorship allowed for the construction of a new social contract, established in the Constitution of 1988, where poverty and inequality reduction was considered one of the main objectives of the nation. It was in such a context that the almost strictly contributory nature of social protection in Brazil was changed by the enhancement of non-fully contributory schemes (Barrientos, 2013).

As a consequence of the new Constitution, in the first half of the 1990s the existing semi-contributory schemes saw improvements in both their coverage and benefit levels. Poor older people and disabled people were finally eligible for a proper non-contributory social assistance benefit. By the same token, access to rural pensions became strictly the same for men and women. Contributions for rural pensions continued to be based on sales of agricultural produce (if any). Both semi- and non contributory schemes started to pay a flat-rate benefit equivalent to one minimum wage.

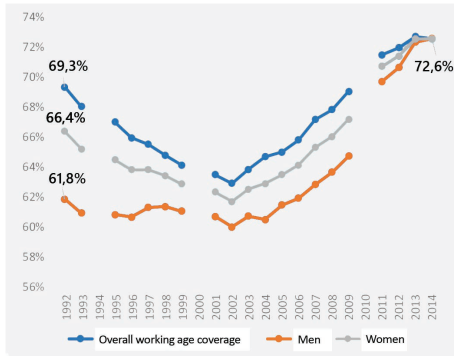
Old-age coverage (the percentage of people aged 65 or over receiving a pension) was just above 80 per cent in the early 1990s (see Figure 1) and rapidly increased in the first years of the 1990s, reaching almost 90 per cent. This increase was predominantly driven by women's access to old-age pensions. While old-age coverage for men increased only 4.1 percentage points between 1992 and 2014, old age coverage for women increased more than threefold (by impressive 12.8 percentage points) over the same period. The difference between coverages of men and women, which used to be of 14.2 percentage points in 1992, decreased to only 5.5 percentage points in 2014; however, coverage remained higher for men. What to expect from differences in old age social protection coverage for men and women in the future? The difference tends to be even smaller than today's, simply because social security coverage rates for working-age men and women have become very similar in recent years, until they became the same in 2014 (see Figure 2).

Figure 1. Old-age social protection coverage: percentage of population aged 65 or over that receives a pension (1992-2014)



Source: National Household Sample Survey—Brazilian Institute of Geography and Statistics (IBGE), several years.

Figure 2. Working age social security coverage—percentage of population aged 16 to 59 covered by a contributory or semi-contributory scheme (1992-2014)



Source: National Household Sample Survey—Brazilian Institute of Geography and Statistics (IBGE), several years.

3. What are the main results?

Impact on people's lives

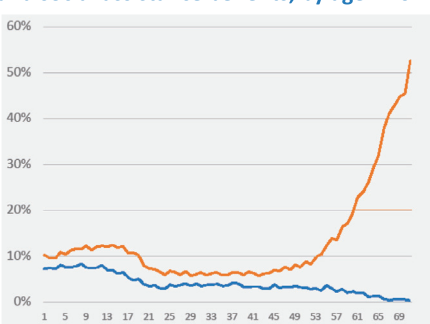
The system has been effective in reducing extreme poverty among older people. Considering the World Bank's extreme poverty line of USD1.90 PPP a day, poverty among people aged 65 and over in 2014 was negligible (0.4 per cent), even more when compared to the 7.2 per cent extreme poverty rate found for children 15 years old or younger.
Despite efforts made in the last decade (including the implementation of Bolsa Família, a social assistance programme which targets families with children), poverty rates for those aged 15 years or under continue to be almost twice as high as the average and almost 20 times higher than for older

people (see Figure 3).
Figure 3 also suggests what could happen in Brazil if social security and social assistance benefits were extinguished: the extremely poor would comprise 13.2 per cent of population (rather than the observed 3.9 per cent) and extreme poverty would dramatically affect older people during a period when they are no longer able to generate income.

Impact on the economy

These transfers also have an impact on the economy as a whole. The multiplier effect of expenditures in government transfers on GDP computed by Mostafa et al. (2010) are above 1 for: social assistance benefits paid to older people and the disabled (1.38); and benefits paid by the General Regime of Social Security (1.23). This means that a marginal increase of 1 per cent of GDP in expenditures for these benefits would produce an increase higher than 1 per cent in GDP.

Figure 3. Extreme poverty in Brazil (USD1.90 PPP/day) with and without social security and social assistance benefits, by age—2014



Source: National Household Sample Survey—Brazilian Institute of Geography and Statistics (IBGE). 2014.

Overcoming constraints

Although the Brazilian social protection system has produced remarkable results in terms of high coverage and very low extreme poverty for older people, and taking into account the fact that social benefits tend to have a relevant effect on the overall economy, the costs of the system have become an increasing concern. As of 2013, expenditures with social security and traditional social assistance benefits (excluding Bolsa Família) represented 12.3 per cent of GDP (see Table 2), an unexpected cost for a country with a relatively young demographic structure.

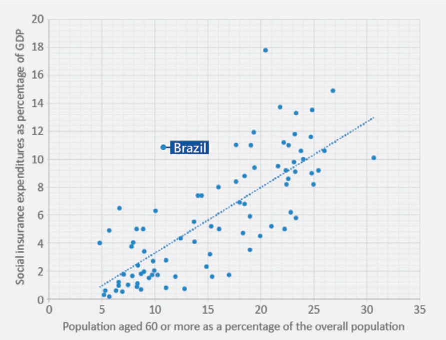
Table 2. Expenditure with social protection benefits—Brazil, 2013

Social security benefits – civil servants (A)	209.5	4.0%
Social security benefits – private sector (B)	357.0	7.4%
Social assistance benefits (C)	31.8	0.7%
Unemployment insurance (D)	31.3	0.6%
Abono Salarial (E) (salary bonus –passive employment policy)	13.5	0.3%
Bolsa Família (F)	24.0	0.5%
Total (A+B+C+D+E+F)	667.1	13.8%
Social insurance + social assistance benefits (A+B+C)	598.3	12.3%
GDP	4,844.8	100%

Source: Brazilian Ministry of Planning and the Brazilian Institute of Geography and Statistics (IBGE).

Brazil is a clear outlier when compared to other 86 countries in Latin America and the Caribbean, North America, Europe, Oceania and Asia. Slightly over 10 per cent of Brazil's population is aged 60 or over, yet the country's expenditures with pensions is similar to countries with 25 per cent of their population belonging to this age group (see Figure 4).

Figure 4. Social pension expenditures as a percentage of GDP and as a proportion of people aged 60 or over (Brazil as of 2010)



Source: for Brazil: Ministry of Social Security (expenditures of the General Regime of Social Security and old-age social assistance pensions), Ministry of Finance (expenditures of the Special Regime of Social Security) and the Brazilian Institute of Geography and Statistics (demographic data). Other countries: World Bank and the United Nations.

Expenditures with social insurance have been increasing relatively quickly. For benefits paid by the General Regime alone, expenditures increased an additional 2.5 per cent of GDP since the first half of the 1990s. The forecast for the next 45 years suggests an increasing burden for society, since Brazil (as most countries in Latin America and the Caribbean) is experiencing a process of ageing that is expected to be twice as fast as the one that was experienced by developed countries. The percentage of the population aged 60 or over is expected to increase from 10 percent to 20 per cent over only 25 years in countries of Latin America and the Caribbean—compared to an average period of 50 years for member countries of the Organisation for Economic Co-Operation and Development (OECD). All the evidence suggests that a pension reform is necessary to keep the system financially sustainable. This reform would be the third one of its kind after the re-democratisation of the country: pension reforms were

Table 3.Key indicators: Brazil social security and traditional social assistance benefits (excluding Bolsa Família)

Number of persons covered	16.8 million people aged 65 or over (as of 2014). Source: National Household Sample Survey, 2014.
Adequacy of benefits	Low-paid beneficiaries have 100 per cent replacement rate, since the basic level of social security benefits and the level of social assistance benefits is equivalent to one minimum wage.v
Sustainability of the system	The overall expenditure with social security and social assistance benefits was over 12 per cent of GDP as of 2013, which is substantially higher than expected for a demographically young country.

Source: Author's elaboration.

conducted in 1994-1998 (General Regime) and in 2003 (Special Regime) (Caetano *et. al.*, forthcoming).

This Universal Social Protection brief was produced by Luis Henrique Paiva, Researcher at the Institute for Applied Economic Research (Ipea) and Associate Researcher at the International Policy Centre for Inclusive Growth (IPC-IG), UNDP. It was reviewed by Isabel Ortiz and Loveleen De of the ILO.

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Cabo Verde

Universal Pensions

One step further in achieving social protection for all

Cabo Verde has given social protection a high priority on the road to development, showing a way to combine growth with equity in a context of scarce resources. The country is now one of the most advanced nations in Africa in terms of establishing a social protection floor.

Cabo Verde took two major steps towards a universal pension system: the creation of the National Centre of Social Pensions (CNPS) in 2006 and the unification of pre-existing non-contributory pension programmes. This unified scheme guarantees basic income security for the elderly over 60 years old, the disabled, and children with disabilities living in poor families.

Social pensions in Cabo Verde have reduced the level of poverty and vulnerability of its target population. It is also a concrete step in the direction of establishing a more comprehensive social protection floor.

The social pension covers about 46 per cent of the population 60 years old and over, and the value of the benefit is near 20 per cent higher than the poverty line.

Main lessons learned

- The case of Cabo Verde shows that rapid progress towards the universalization of pension systems is feasible and affordable in developing countries. Strong commitment by the Government is a key ingredient.

- The rapid expansion of pension coverage was achieved by combining contributory and non-contributory programmes.

- The creation of a specialized management institution -the CNPS in Cape Verde- is a critical factor to unify existing programs and keep the strategy on-track.

- Sharing existing infrastructure with other social protection programmes and institutions (post office services, local governments and organizations, and the private sector) allows pension schemes to cover more people and save costs.

- The use of information technology further enables transparent, accountable, and sound management by creating linkages between databases for cross-checking of data and reduction of duplicates.

1. What does the system look like?

Cabo Verde's social protection pension system is the responsibility of the Ministry of Youth, Employment and Human Resources Development. It includes three types of schemes: the non-contributory scheme (social pensions), the mandatory pension scheme that covers both salaried workers and independent workers, and the complementary pension scheme.

The social pensions are managed by the National Centre of Social Pensions (CNPS).

Figure 1. Structure of Cabo Verde's pension system

	Social Pensions	Contributory pensions	Complementary pensions (voluntary)
Institutions	MJEDRH: Supervision CNPS: Management	MJEDRH: Supervision INPS: Management	Pivate companies
Benefits	Old-age, disability, survival	Old-age, disability, survival	Private pensions
Beneficiaries	People in poverty, not covered by the contributory scheme	Salaried, domestic & independent workers, & civil servants	People with contributory capacity

Benefit packages

Beneficiaries of social pensions, including the elderly, children and other people with disabilities are entitled to receive a monthly payment of 5,000 Caboverdian Escudos (CVE) or about US$65.

The pensioners also benefit from the Mutual Health Fund, which was established to subsidize the purchase of medicines from private pharmacies, up to an annual ceiling of 2,500 CVE. The Mutual Health Fund also provides a funeral allowance of 7,000 CVE.

Financing

The social pensions cost nearly 0.4 per cent of GDP and are fully financed from the general state budget, whereas the Mutual Health Fund is financed from beneficiaries' monthly contributions of 100 CVE per pensioner (a mandatory contribution of 2 per cent of the social pension payment's current value).

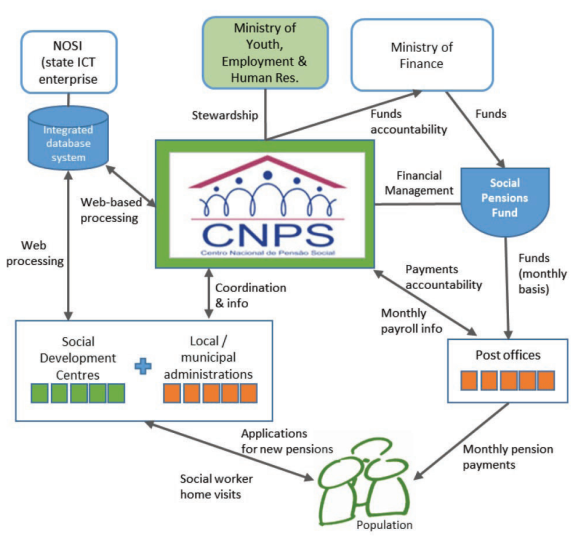
Legal Aspects

The CNPS, created in 2006, manages the social pensions in an autonomous manner. To qualify for the social pension for older persons, applicants must be resident in Cabo Verde, be 60 years old or above, have an income below the national official poverty line (4,123 CVE in 2007), and not to be covered by any other social security scheme.

Institutional arrangements for delivery

Social pensions are managed by the CNPS and paid through local post offices every month - rather than by the banking system in order to reduce the significant operational costs charged by banks. The process of claiming the pension starts locally, either through the intervention of Local Development Centres (CDS) or municipal governments. Applicants to the social pensions must complete a form for identification and selection of beneficiaries, as well as provide some basic documentation. Conditions for selection are verified by a social worker through a visit to the domicile of the applicant. The process finishes at the CNPS headquarters with the selection of the beneficiaries. In order to introduce more transparency and enhance governance, a web-based application was implemented to manage all the processes and procedures, thus creating an integrated and consistent database. All ICT functions (software development, databases, and communications) are supported by

Figure 2. Organization of Cabo Verde's social pension system



NOSI, a state company that centrally manages the ICT of state institutions. This feature has allowed for significant progress in integrating the CNPS databases with those of other social protection programmes run on the different islands that comprise the country.

2. How was this major breakthrough achieved?

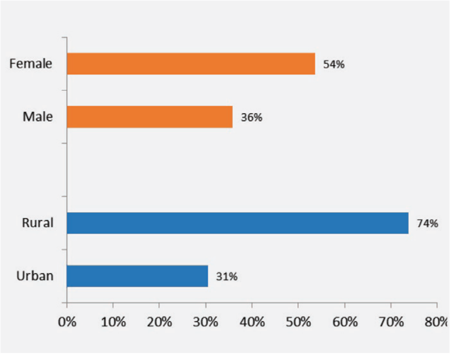
The CNPS was created in 2006 by merging two pre-existing non-contributory pension schemes. One of the main justifications for the creation of the CNPS was to reduce institutional dispersion in order to increase efficiency. In less than ten years, the social pension almost doubled its coverage by reaching out to women and people in rural areas. Considerable progress has been made in terms of administration improvements since the creation of the CNPS.

3. What are the main results in terms of impact people's lives?

Outcomes

Cabo Verde is close to universalizing its pension system. When you add up the contributory and non-contributory coverage, it is estimated that over 90 per cent of older persons receive a pension. According to CNPS, the percentage of the population over 60 covered by a non-contributory pension reached 46 per cent in 2010, among the highest levels in sub-Saharan Africa. In rural areas nearly 74 per cent of people over 60 years of age are protected by social pensions. The performance of CNPS is efficient with administrative costs estimated to be only 1.4 per cent of benefits.

Figure 3. Coverage rates of social pensions as a percentage of people over 60 years of age



Source: Estimates for 2010 based on CNPS reports.

Impacts on people's lives

In terms of coverage, the social pensions have achieved their target. In 2013 more than 84 per cent of the pensioners were 60 or more years old and 69 per cent were women. A large share of beneficiaries is women living in rural areas, which is one of the most vulnerable groups in Cabo Verde.

The amount of the social pension (5,000 CVE) represents about 20 per cent of per capita GDP and is near 20 percent more than the poverty line. In other words, the value of the pension is sufficient for a person to cease to be in poverty.

4. What's next?

The amount of the social pension (5,000 CVE) represents about 20 per cent of per capita GDP and is near 20 percent more than the poverty line. In other words, the value of the pension is sufficient for a person to cease to be in poverty.

Cabo Verde has made significant efforts to extend its social pension system and establish and consolidate its institutional capacity. There are still many challenges to face in order to achieve higher levels of effectiveness and efficiency. Some of these challenges include:

1. continuing to reinforce the linkages between contributory and non-contributory schemes in the areas of the benefits design, administration, financing, delivery of services, and tools.

2. a key challenge is the creation of a single register of vulnerable population and beneficiaries of social protection, which will allow reducing administrative costs, higher cross control among social protection programmes, and therefore increasing effectiveness and efficiency of the whole system. A desirable final result of such effort could be the integration the non-contributory schemes which so far are operating in a rather fragmented way.

3. continuing to improve IT and the administrative processes of identification and eligibility (including gathering best information on people's income), payment of benefits, monitoring and evaluation. Furthermore, an ideal scenario is that all institutions managing social protection benefits could use a single system to perform those different functions.

Cabo Verde moved rapidly towards the universalization of its pension system, providing adequate old-age benefits. Some critical elements that explain this achievement are: the strong political will to finance social protection; the combination of contributory and non-contributory instruments; the unification of previously existing programs and their consolidation into a single specialized institution; the intensive and effective use of information technology; and the importance given to administrative modernization.

This Universal Social Protection brief was produced by Fabio Durán-Valverde and Joana Borges of the ILO. It was reviewed by Pedro Lara de Arruda of the International Policy Centre for Inclusive Growth, Isabel Ortiz and Valérie Schmitt of the ILO.

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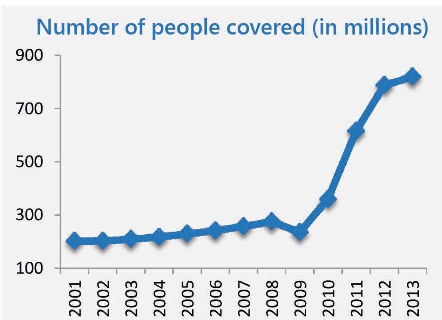
China

Universal Pensions

Between 2009 and 2013, China tripled the number of people covered by the old-age pension system, making impressive progress in achieving its goal of universal coverage by 2020.

Figure 1. Expansion of old-age pension coverage over 2001-2013



Source: Annual statistical bulletins on human resources and social security development (ASB), 2001-2013.

1. What does the pension system look like?

Overall structure: The current state pension system consists of three schemes:
(1) an urban workers' pension;
(2) a civil servants' pension; and
(3) a residents' pension for rural and urban residents not covered under the first two schemes.

Main lessons learned

- The Chinese experience shows that universality can be achieved by combining contributory schemes and non-contributory social pensions, in line with the Social Protection Floors Recommendation, 2012 (No. 202).
- Extending pension coverage to all citizens within a very short period is feasible.
- Political will and government commitment is essential. In particular, increasing government expenditure is indispensable for covering vulnerable groups that have no or limited capacity to pay contributions.
- Universal pensions, as part of social protection floors, increase domestic consumption and demand, promote human development and social stability, all of which are fundamental for national development and economic growth.

Benefits and financing

Upon retirement, urban workers receive a state pension consisting of two components: a solidarity component (SC) financed by employers' contributions (accounts for about 20 per cent of payroll) and an individual pension component (IP) calculated based on a worker's accumulated contributions, where contributions are 8 per cent of a worker's reference income. The urban workers' pension scheme consists of hundreds of sub-schemes run independently by local authorities, with some sub-schemes in surplus and others in deficit. To secure full and on-time payments of current pensions, the Government supplements many of these sub-schemes.

Up until to October 2014, retired civil servants received a single state pension based on their pre-retirement salaries and the number of years of service, paid directly out of the government unit budgets. The scheme is currently being converted into a social insurance pension with two components similar to the urban workers' pension: an SC funded by employers' contributions and an IP funded by employees' contributions. It remains to be seen whether it will become a single nationwide scheme.

The residents' pension also consists of two components. The SC is entirely financed by the Government. The IP is financed by contributions of the insured as well as some government subsidies. However, the majority of the current generation of pensioners only receive the SC component as they had already exceeded the pensionable age when the scheme was introduced. Unlike the other two schemes, participation in the residents' pension is voluntary. The scheme is also composed of many independent locally run sub schemes.

Legal aspects

The legal framework of the pension system can be depicted as follows:	
1	Constitution of the PRC (current version adopted in 1982)
2	Social Insurance Law (2010) and Labour Law (1995)
3	National Administrative Regulations
4	Ministerial Rules
5	Local Administrative Rules
6	Other Legal Provisions

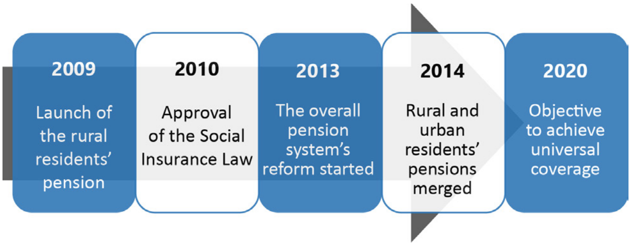
Institutional arrangements for delivery

The pension schemes are managed by local social insurance institutions. Contributions are collected by social insurance agencies or by tax authorities. Pensions are paid directly to beneficiaries' designated bank accounts.

2. How was this major breakthrough achieved?

Landmarks

Figure 2. Overview of events marking the extension of pension coverage since 2009



Strong political will

Extending old age pensions to all was driven by a strong commitment to reduce poverty and inequality, and to sustain economic development. Taking the rural pension as a concrete example, the 16th and 17th National Congress of the Communist Party called for the development of an old-age pension for the rural population in 2002 and 2006, respectively. In 2009 the Government issued a practical Guidance and launched the rural pension with the aim to cover the entire rural population by 2020. It merged with the urban residents' pension in 2014 to form the residents' pension scheme. The other pension systems benefited from similar political support.

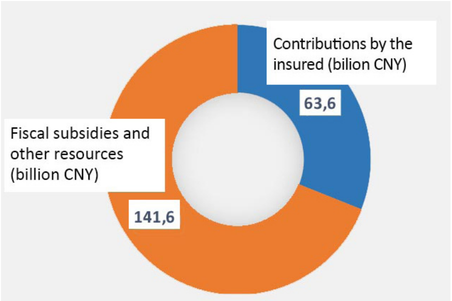
Administrative and social support

Progress towards universal coverage has also been the result of strong leadership by the central Government and active development of new programme initiatives by local governments. Effective innovative initiatives were often taken up as national policy and implemented across the country. Also, the All China Federation of Trade Unions played an important role in the extension of pension coverage.

Fiscal support

All three schemes benefit from public subsidies. With regards to the residents' pension, a large proportion of its total pension expenditures is supported by government contributions. Revenue sources for the residents' pension in 2013 are as follows:

Figure 3. Revenue sources for the residents' pension in 2013



Source: ASB 2013

3. What are the main developmental results and impact on people's lives?

To build a harmonious society is one of the core objectives of the Chinese government. The 12th Five Year Plan launched in 2011 also aimed at increasing aggregate demand by a number of measures such as more public spending on social protection and public services, higher minimum wages and reducing the savings rate of households.

Impact on people's lives

By the end of 2013, about 80 per cent of the population in working age and above, regardless of their employment and contribution histories, were covered under the pension system (MOHRSS, 2013). Civil servants have long enjoyed relatively high benefit levels. The benefits paid under the workers' pension have steadily increased at an annual rate of 10 per cent over the last eleven years, generally ensuring a decent life for these pensioners (Wen, 2014). Although the residents' pension benefit level is still far from adequate, it undoubtedly helps many older people who live in vulnerable conditions and this is particularly the case for older women in agricultural settings.[1]

[1] Lei, Shu (2015) A small amount can make a big difference: The effect of the New Rural Social Pension Insurance program on the retirement decision in China. *Netspar*

Impact on the economy

The increases in both the pension coverage and benefit levels have enhanced the purchasing power of people in old age. Since pensioners represent a large and growing component of Chinese society, domestic consumption and markets targeting older persons - such as customised foods, clothing, health, medicine, care, and tourism - have rapidly developed and expanded, forming new opportunities for domestic economic development (China Consumers' Association, 2013). Additionally, household precautionary savings are expected to reduce due to income security and health care, supporting demand and thus economic growth.

4. What's next?

The Government is continuing the expansion of pensions and further improving the system's adequacy, sustainably, and equity.

Benefit adequacy

In particular, there are concerns about the low level of benefits paid to 130.7 million pensioners under the residents' pension. On average, the benefits paid represent less than 11 per cent of average income per capita in rural areas in 2012 (National Bureau of Statistics of People's Republic of China (NBOS), 2013; MOHRSS, 2012), much lower than the minimum standard set in the Social Security (Minimum Standards) Convention, 1952 (No. 102).

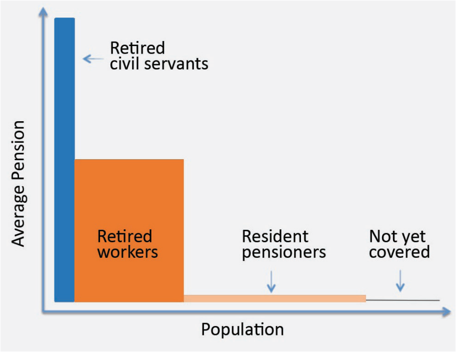
Sustainability

China's economic growth, measured at around 10 per cent annually for three decades, has slowed recently to just over 7 per cent. At the same time, the aging of China's population is accelerating as a consequence of the baby-boom in 1950s and 1960s, the implementation of the one-child policy, and constant improvements in life expectancy. Though China has significant fiscal space for social protection, it is contemplating and developing policy measures to ensure the long-term economic sustainability of the pension system, such as increasing the pensionable age.

Equity

Benefit level disparities exist among and within the three schemes. As illustrated in the figure below, the ratio of average benefits in 2013 was estimated as 100:51:2 for civil servants' pension, workers' pension, and residents' pension, respectively. Within the workers' pension scheme, there are regional disparities in the pension replacement rates. For instance, in 2012 the average replacement rate was 70.5 per cent in Shandong, but only 43.2 per cent in Chongqing (Zheng, 2013).

Figure 4. Overview of different benefit levels by type of pensions



Source:Based on ILO estimates and MOHRSS, 2001-2013

Overall, the phenomenal progress in expanding pension coverage is being continued, fast-tracking universal pension coverage by 2020, in line with the Social Protection Floors Recommendation, 2012 (No. 202).

This Universal Social Protection brief was produced by Aidi Hu of the ILO. It was reviewed by Charles Knox-Vydmanov of HelpAge, Isabel Ortiz, Valérie Schmitt and Jurriaan Linsen of the ILO.

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Georgia

Universal old-age pensions

In 2006, the Georgian Parliament introduced the Law on State Pensions (2005); the law resulted in the elimination of the contributory pension system and the implementation of a flat-rate basic pension which had three[1] components, namely old age, disability, and survivor pension. The most notable characteristic of the law was the universal nature of the old age pension. The establishment of the universal, non-contributory flat-rate pension was primarily driven by the need to reduce Georgia's substantial poverty rates.

1. What does the pension system look like?

Overall structure

The old age pension scheme in Georgia is a noncontributory pension scheme which provides a flat rate benefit to all elderly. The only eligibility condition is age – currently set to 65 and 60 for men and women respectively.

[1] Under reforms implemented in 2012, disability and survivor pensions have been separated into different social assistance programs.

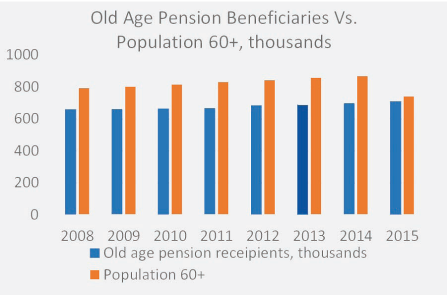
Main lessons learned

- Since its inception, the universal old age pension has had a strong impact on reducing poverty rates among the elderly and is likely to remain a powerful mechanism for old age poverty prevention going forward.
- Ensuring pension coverage to all elderly is possible even in the context of high labor market informality and limited fiscal space, however, projected ageing of the population may require subsequent design adjustments to the universal social pension to preserve its fiscal and social sustainability for future generations.

Coverage

Provided the liberal eligibility criteria, the universal pension system provides virtually complete coverage of the elderly population. In 2015, 95 percent of the population above age 60 was in

Figure 1. Persons receiving pension package (old age), thousands



Source: Georgia National Statistics Office receipt of a universal pension, making it the largest redistributive social protection program in the country in terms of both coverage and spending.

Benefits

The universal old age pension program provides a flat rate benefit to all citizens above retirement age. The benefit amount has no relation to employment or wages earned during the active life. In 2015, the flat-rate benefit amounted to 160 GEL (about 67$). The primary objective of the system is to prevent poverty in old age. The current replacement rate is a modest 18% of average wage. The total cost of the pension system (including survivor and disability assistance) amounted 5.2% of GDP and 16.2% of government revenues in 2015. Between 2005 and 2015, the flat-rate pension has been increased more than ten-fold[2]. Government projections show that demographic aging, among other factors, will result in increased pension spending over the coming decades.

The social pension, being a flat-rate benefit, provides higher income replacement for lower income groups. For those retiring at the end of 2014 while earning 50% of the average wage the universal old-age pension provided a replacement rate of approximately 37%. The level of replacement rate declines to 18% for someone retiring at the average wage and further drops to as low as 10% for a person earning twice the average wage. Thus, the universal pension is a means of redistributing income from wealthier segments of society (who pay greater nominal

Table 1. Old Age Pension Amounts and Replacement Rates

	2012	2013	2014
Average salary of employees (GEL)	713	773	818
Subsistence minimum of average consumer (GEL)	132	137	141
Old age pension (GEL)	110	150	150
Old age pension including long-service bonus (GEL)	120.9	-	-
Replacement rate[3] in relation to old age pension (percentage)	15.4	19.4	18.3
Old age pension as a percent of GDP per capita	19.3	25.3	23.0
Replacement rate in relation to old age pension including long-service bonus (percentage)	17.0	-	-

Source: Reform of the Universal Pension Benefit and Introduction of a Supplementary Pension Scheme, March 2016, Ministry of Economy and Sustainable Development of Georgia; Staff Calculations

[2] The old age pension is adjusted, typically annually, on an ad-hoc basis.

[3] Replacement rate is the relevant pensionamount expressed as a percentage of the average salary.

amount of tax) to the more vulnerable segments of society in old age.

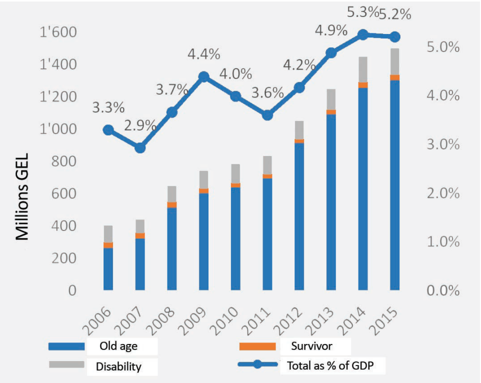
Financing

The universal pension system in Georgia relies on general revenues. Although the current financing mechanism has considerable advantages – such as eliminating the need to record and collect pension contributions and calculate pensions based on individual wage histories – the financing mechanism is not immune to the risks posed by demographic ageing. Georgia is facing an ageing population, characterized by declining birth rates and longer life expectancy. In addition, the country has also experienced outmigration, further worsening the demographic outlook. Policy makers will have to ensure adequate pensions levels are preserved for all elderly Georgians in face of a swelling elderly population and a shirking tax base.

Legal aspects and institutional arrangements for delivery

The governing legislation for the universal old age pension is the Law on State Pensions (No. 2442 of 23 December 2005). The responsibility for allocating the state pension is under the Georgia Social Services Agency, which is located under the Ministry of Labor, Health and Social Affairs.

Figure 2. Social Expenditures for All Categories of Pensions (2006-2015)



Source: Reform of the Universal Pension Benefit and Introduction of a Supplementary Pension Scheme, March 2016, Ministry of Economy and Sustainable Development of Georgia

2. How was this major breakthrough achieved?

The collapse of the centrally planned economic system in Georgia in the early 1990s was devastating for public pension system finances. Prior to the demise of the Soviet Union, the pension system provided differentiated pensions financed on a pay-as-you-go basis. Old age pension eligibility criteria included a minimum of 20 and 25 years of service for women and menrespectively. During the soviet era of near full formal employment rates, the pension system achieved nearly universal coverage level, providing pensions between 60% and 100% of average wage in the late 1980s. Shortly after the transition, increases in unemployment and informal sector work led to a shrinking contribution base and a decline in available resources for pension expenditures. On the benefit side, demographic ageing and early retirement – often used a method to cope with high rates of unemployment among the older population – resulted in an increase in the number of pensioners. As a result, the existing financing mechanism for the pension system was no longer viable. Shrinking contribution revenues and swelling pension expenditures prompted policy makers to explore alternative measures for old age income provision.

Figure 3. Overview of events marking the extension of pension coverage since 1991

Demise of the Soviet Union in 1991 resulted in extremely difficult economic and social conditions in the country.

Dramatic hyperinflation and currency depreciation (1993-1994) had a strong negative impact on pension adequacy.

1996: the Soviet system of differentiated pensions based on occupation had been replaced it with a flat-rate pension system.

1996: eligibility for pensions was still limited to those who had previously contributed to the system.

2006: Passage of the Law of Georgia on State Pension (2005) eliminated existing pension system and introduced non-contributory flat-rate basic pension. The old-age pension became universal for all elderly citizens.

Reforms starting in 2004 ushered in major changes regarding the financing of state social programs, including pensions. Until 2004 state pensions were financed by the State United Social Insurance Fund (SUSIF) based on social contributions from employers and employees; from 2004 social programs became financed from the general budget revenues. Since SUSIF lost one of its key functions - administering and collecting individual social contributions - the structure was reorganized into two new structures: i) State Agency of Employment and Social Assistance and ii) Health and Social Programs Agency: by the end of 2010 these were merged to become the Social Service Agency (SSA).

3. What are the main developmental results and impact on people’s lives?

The universal old age pension in Georgia serves as an important poverty prevention mechanism among the elderly. Poverty analysis conducted by the World Bank shows that an old age pension of 100 GEL reduced poverty rates by 15 percentage points across the country. The impact of the old age pension is even more pronounced in rural areas. World Bank estimates from 2010 suggested that a 20 GEL pension increase in 2010 from 80 to 100 GEL caused poverty rates to decline by 2.8%. The flat-rate pension has the highest impact on poverty rates among older cohorts of pensioners. The social pension reduced poverty rates from 37% to 10% among the age group of 75-85 according to a UNICEF study. The universal old age pension is likely to remain a powerful mechanism for old age poverty prevention going forward.

Table 2. Poverty Rate in Georgia with and without Old-age Pensions (in percent of overall population)

	With GEL 100 pension benefit	Without GEL 100 pension benefit
Overall poverty headcount	22.9	38.1
Urban	17.7	29.5
Rural	28.2	46.9

Source: Reform of the Universal Pension Benefit and Introduction of a Supplementary Pension Scheme, March 2016, Ministry of Economy and Sustainable Development of Georgia

4. What's next?

The universal old age pension is adjusted on ad-hoc basis which could expose retirees to the risks of benefit erosion overtime. Policy makers are currently reviewing reform options which include the potential introduction of an automatic indexation mechanism which would preserve or improve the purchasing power of the universal old age pension.

This Universal Social Protection brief was produced by Miglena Abels of the World Bank. It was reviewed by Isabel Ortiz and Loveleen De of the ILO; and by Robert Palacios of the World Bank.

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Kosovo

Universal old-age pensions

Old-age pension scheme

During 2001-2003 period, Kosovo implemented an entirely new pension system comprised of three “pillars”. Pillar I includes a basic old age pension (paid to all Kosovars, 65 years of age and older) and a disability pension. Both pensions are financed from general revenues rather than an earmarked wage tax. The objective of the benefit is to prevent old age poverty by ensuring all elderly have access to a pension. The disability pension is narrowly focused on total and permanent disability, ensuring that scarce resources are well focused on the truly disabled. Pillar II of the system is a mandatory, defined-contribution, savings pension program whereas Pillar III provides for supplemental, individual or employer-sponsored pension schemes.

1. What does the pension system look like?

Overall structure

The old age pension scheme in Kosovo[1] –

[1] Throughout this brief, references to Kosovo should be taken to be within the meaning of the UN Securi-tyCouncil Resolution 1244, adopted on 10 June 1999.

Main lessons learned

- In the context of challenging economic and social conditions, Kosovo opted for a basic old age pension in an effort to address high poverty rates among the elderly. The decision to implement a universal pension also proved affordable given the small share of elderly in total population. Kosovo’s young demographics permitted all elderly to be provided with a pension at fiscally manageable cost.

- Even though the basic old age pension has effectively reached all elderly Kosovars and played a significant role in bringing down poverty rates, the level of the benefit remains quite low relative to GDP per capita. Therefore, alternative mechanisms for old age income provision and savings would need to be improved and developed to allow for higher income replacement in retirement.

- The basic old age pension has promoted poverty avoidance among the elderly without the imposition of high payroll taxes on working-age individuals - since there are no wage-based contributions.

- Having access to an old age pension haslikely played a part in reducing social exclusion rates among the elderly.

introduced in 2002 – is a noncontributory, general revenue financed pension scheme which provides a flat-rate benefit to all Kosovars 65 years of age and older.

Coverage

The basic old age pension achieves almost full pension coverage in an environment where only a small share of the population earns formal wage income, in contrast to the old Yugoslav system that reached only about half of Kosovo's elderly. The number of basic old age pension recipients in 2014 was 125,800 while according to the 2011 Census, the population over the age of 65 was 116,785.

Benefits

All Kosovars above age 65 are eligible for the basic old age pension. Disability pensions are available to fully disabled resident citizens aged between 18 and 65. The scheme is financed from the budget and is operated by the Ministry of Labor and Social Welfare (MLSW), with no benefits available for partially disabled individuals – i.e. individuals with a disability level below 100 percent. The uniform monthly benefit is EUR 75, equal to the basic pension and about 23 percent of GDP per capita.

Table 1. Pension landscape in Kosovo[2]

Type of Pension	Age	Target group	Benefit Amount
Basic pension	65	All	Flat (75)
Contributory pension	65	Beneficiaries based on law from before 1999*	Education-linked (158-240)**
Disability pension	<65	100 % disabled	Flat (75)
Work disability pension	<65	Work accident or professional disease	Flat (75)
Family pension (Spouse, children or parents)	Spouse <65	Beneficiaries based on law from before 1999* or family of work disabled	Flat (75 +20% per eligible child)
Trepca early pension	50-64	Involuntary unemployed > 50% disabled	Flat (105)
Kosovo Pension Savings Trusts	65	All	Phased withdrawal (at least 150) or annuity

The pension landscape in Kosovo has rapidly expanded since the 2001-2003 reforms and at present includes numerous programs, covering both elderly and working age people.

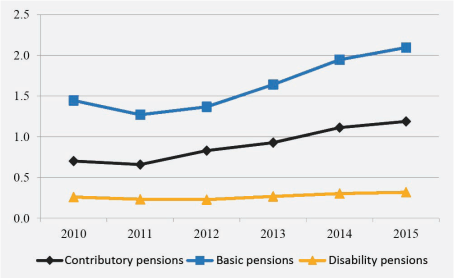
[2] *Effectively this corresponds to a minimum eligible career before 1999 of 15 years. The benefit range for education is not yet determined – the numbers indicate the targeted range as indicated by the authorities.** The benefit range for education is not yet determined – the numbers indicate the targeted range as indicated by the authorities. ***For newly recognized cases after 1999 – unspecified for others

Table 1 outlines the various pension schemes which range from funded defined contribution pensions (KPST) to universal, flat, non-contributory provisions. The basic pension remains a general-revenue financed universal flat benefit, covering all citizens aged 65 and over. The contributory pension is a budget-financed defined benefit scheme for citizens above age 65 with a sufficiently long work experience prior to 1999. Eligibility requires at least 15 years of contributions prior to 1999 into the social security scheme of Yugoslavia. Basic and contributory pension cannot be paid to the same person. Eligible individuals were, until 2015, entitled to a flat benefit of EUR 140, with the same residence and administrative procedures in place as for the basic pension.

Financing

The basic old-age pension is funded from general government revenues, on a pay-as-you-go basis, with universal eligibility upon reaching age 65 regardless of other income sources. The cost of the basic old age pension amounted to 2.1% of GDP in 2015.

Figure 1. Pension Expenditures as a percentage of GDP, 2010-2015



Source: Kosovo Ministry of Labor and Social Welfare

Legal aspects and institutional arrangements for delivery

United Nations Interim Administration Mission in Kosovo (UNMIK) Regulation 2001/35 of Pensions in Kosovo was the first act to regulate pension policy in Kosovo after 1999. It established the legislative foundation for Pillars II and III. Regulation 2002/15 provided the legislative foundation for Pillar I. The Pension Administration Department at the Ministry of Labor and Social Welfare (MLSW) is responsible for managing and administration of the pension scheme set by applicable legislation. Pensions are paid through the banking system.

2. How was this major breakthrough achieved?

Before 1990, the employed population in Kosovo was insured by the Pension System of the former Yugoslavia. The pension amount was determined according to years of contributions and earnings. The decision to opt for a new, universal, flat benefit was based on the following key factors:

1. A desire to avoid high contribution rates and to promote long-term fiscal sustainability.

2. The low rate of coverage provided by the old system.

3. The poor state of contribution records for the old system.

4. Political challenges in determining how to equitably treat those who were forced out of their jobs and denied the opportunity to participate in the pension program in the decade following the political changes of 1989.

The new basic pension was designed so that it does not discriminate based on work history or ethnicity. The rationale behind the implementation of the basic pension scheme was to create a pension system that covers the whole population; the Yugoslav pension system covered only about half of the elderly in 1998.

The basic pension scheme was designed to address the needs of all population groups, including: 1) the elderly who contributed to the past system (up to 25,000 old-age pensioners, or less than 1.5% of the population, who felt they are entitled to benefits based on these past contributions; plus approximately 25,000 over 65 who were receiving survivor and disability pensions); 2) The elderly who did not contribute to (or were excluded from) the past system (roughly 90,000, or up to five percent of the population, who may be equally in need of a pension as those who contributed); and 3) the current working-age (up to 1.4 million individuals 16-65, who were not making contributions to any pension system and were not earning entitlements to any future pensions). Since 2008, a parallel pension system providing top-up pensions to pensioners who paid contributions to the pensions system of the republic of Serbia before the conflict has been implemented.

The system preceding the current old age basic pension scheme was ineffective on several fronts. The old system was a typical East European system with very high contribution rates, frequent delays in payment of pensions, a high level of evasion, early retirement ages, and special categories of earlier retirement, a complicated benefit formula, and increasing financial unsustainability. Although the Kosovar population is young, it will start to age rapidly and therefore will be subject to the same demographic pressures that confront the Yugoslav system. Therefore, it was decided that a clean start should be made with a new, modern pension system.

3. What are the main developmental results and impact on people's lives?

The basic old age pension protects almost all elderly Kosovars against old age poverty at a relatively low cost. The basic old age pension is 75 EUR per month which equals about 23% of GDP per capita. Although the level of the benefit may not appear sufficiently adequate, it is important to remember that the primary objective of the basic old age pension is old-age poverty prevention. The mandatory defined contribution pension scheme (KPST) provides a mechanism for additional savings for those who wish to replace a higher percentage of their income earned during their active years.

The structure of the basic old age pension system was formed with the vision to create a pension system which would also promote economic development. The basic pension scheme was structured in a way, to the extent possible, that would facilitate savings and investment of the population, rather than relying on mechanisms that are similar to issuance of government debt. Furthermore, the pension system was intended to promote development of the labor market, suggesting that contribution rates be set at reasonable levels and that pension programs offer participants acceptable returns on their contributions so that there are incentives to participate.

4. What's next?

Although the law defines the indexation of the basic pension level in line with yearly cost of living increases, this has not always not been observed. In fact, pension increases have typically occurred on an ad-hoc basis.

There has been a conversation around limiting the eligibility for basic old age pension to resident citizens and introducing strict residency controls. This measure could be an effective component of reforms aimed at boosting the adequacy of the basic old age pension while also controlling its fiscal costs.

This Universal Social Protection brief was produced by Miglena Abels of World Bank. It was reviewed by Isabel Ortiz, Kenichi Hirose and Loveleen De of the ILO.

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Lesotho

Universal pensions

The Old Age Pension (OAP) is a tax-based scheme for all older persons. This non-contributory social pension also benefits other household members, particularly children.

With around 4 per cent of its population above the age of 70, Lesotho has a larger share of older people than many countries in sub-Saharan Africa. All citizens of Lesotho over 70 years of age, with the exception of retired civil servants and war veterans, are entitled to a monthly pension benefit of 550 Lesotho Maloti (LSL), equivalent to US$40. The OAP was introduced to lift older persons out of poverty and is the largest regular cash transfer in Lesotho, covering 83,000 persons (around 4 per cent of the population). While coverage of eligible persons is universal, it is estimated that many more benefit indirectly.

Prior to the OAP's introduction, only war veterans and civil servants received a pension, covering less than 3 per cent of older persons in Lesotho.

Main lessons learned

- The high prevalence of HIV/AIDS in Lesotho often leads older persons to become the main caregivers for their orphaned grandchildren. In such cases, the Old Age Pension also benefits children.
- Lesotho's implementation of the Old Age Pension shows that high coverage is possible even in difficult geographic conditions.
- The OAP has always been fully funded and administered by the Government, which is proof that even a country with limited financial resources can afford a universal programme.
- Regular adjustments in benefit amounts indicate the continued commitment from the Government.
- Lesotho's OAP experience shows that a universal social protection scheme which has high coverage can help garner political support among people and can be a key factor in the re-election of a government.

1. Why is the OAP needed?

Lesotho's share of elderly people is larger than in other sub-Saharan African countries. This can be attributed to the fact that Lesotho like the rest of Southern Africa is further ahead in the demographic transition process, as well as to outmigration of young people and decreased longevity due to HIV/AIDS. Life expectancy is only 48 years and an estimated 360,000 children have lost either one or both parents to the HIV epidemic. Often, older Basotho become the primary caretakers of their grandchildren. In rural areas, 8 per cent of households are skip-generation households.

Furthermore, the incidence of poverty is high with 56.2 per cent of 1.9 million Basotho living on less than $1.25 a day. Households with people above 59 years of age experience higher food poverty than the general population (39.3 per cent compared to 34.2 per cent).

Against this backdrop, the Government of Lesotho introduced the OAP in 2004 to provide a basic income guarantee for older persons with the ultimate objective of lifting them out of poverty. Thereby, Lesotho has provided universal benefits for older citizens in sub-Saharan Africa.

From the beginning, the OAP has been an entirely national effort. The main drivers behind the OAP are the political will and commitment of the Government. The OAP played a significant role in the election outcome in 2007. In post-election surveys, voters indicated that the introduction of the old-age pension was a strong motivation to vote for the then governing party.

2. How is the OAP implemented?

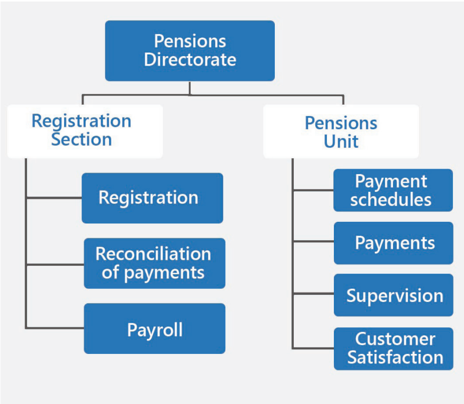
Upon registration, pensioners receive a monthly payment of LSL550 ($40). The amount is announced in the annual budget by the Ministry of Finance.

At the outset of the OAP, in 2004, a village-by-village registration and sensitization of communities was carried out by the District Administration, traditional village chiefs, and Members of Parliament. Following this initial registration process, new applicants now have to submit completed application forms at local government offices.

Registration and payment process

Application forms are available at local government offices. Applicants must provide official proof of identity (national identity card, passport, or voter card). If the beneficiary is unable to provide such a proof or a birth certificate, a letter from the village chief attesting their age is accepted. This and the fact that the applications are not cross-checked with the Home Affairs database to leave out non-eligible pensioners (including retired civil servants) leads to the possibility of fraud and the creation of “ghost beneficiaries”.

Figure 1. Overview of the OAP institutional set-up



Applications are then sent to the Registration Section in the Pensions Directorate in the Ministry of Finance. The Registration Section approves the applications and enters the details of successful applicants into the payroll on a monthly basis. The process of registration is paper-based and centrally-managed.

The Pensions Unit in the same Directorate transfers funds to around 300 payment points across the country on a monthly basis. These funds are physically carried by the armed forces to the payment points. Successful applicants are paid monthly at their preferred payment point by pension officers from Maseru. They are identified and verified using their identity card. They then confirm receiving the payment with their signature or thumbprint. Payment points are located throughout the country while in rural areas, mobile pay points are employed.

On a few occasions, remote payment points were served by helicopter because of weak road infrastructure. The national army provides security at service points and while transferring the money. Due to the manual nature of the entire process from registration to payment, there have been concerns over safety and opportunities for fraud. The operating costs also remain high necessitating a reform of the system towards process automation.

Random checks of payment points are conducted on a regular basis to ensure beneficiary satisfaction with service delivery. Due to the mostly manual nature of the OAP management information system and the absence of checks on whether the beneficiaries are still alive, a sizable number of ghost beneficiaries claim the OAP benefit through proxies who collect the money on their behalf.

Reconciliation of payments is done manually against the payroll. Because this process is cumbersome there are some doubts as to whether it takes place systematically at the end of each month.

Financing

The OAP is financed by general taxation, which largely comes from revenues of the Southern African Customs Union. The total cost is estimated at about 2.5 per cent of GDP.

Although OAP utilizes existing structures and government actors, the administrative costs are estimated to be quite high at around 20 per cent.[1]

Other services and transfers

Provided as part of the national social protection system, they include subsidized or free primary health care at government health centres and government hospitals, free anti-retroviral treatment medication for HIV/AIDS patients, as well as the "Public Assistance" cash grant administered by local governments for those deemed needy, which includes OAP beneficiaries too.

3. What is the OAP's impact on people?

Though rigorous and recent impact evaluations of the OAP are hard to find, it is observed that the OAP not only benefits older persons, but also their grandchildren in numerous skip-generation households. Studies estimate that beneficiaries spend as much as 20 per cent of the benefit amount on dependent and orphaned children.

A large portion of the pension is spent on food, which has had a positive effect on food security. The number of beneficiaries who say they rarely or never had enough food declined from 20 per cent to 10 per cent after the introduction of the OAP.

Beneficiaries also reported spending on heating material, clothes, and

education-related costs, such as school uniforms, shoes, and books (Thulo and Croome, 2006). Beneficiaries are also able to make purchases on credit from local merchants using future OAP payments as guarantees.

Finally, the OAP has contributed to empowering older persons by improving their financial status in the household and giving them a feeling of dignity (Wahenga, 2007).

4. What's next?

Lesotho has made considerable progress in building its national SPF. However, there is room for improvement.

- Keeping in mind the financial cost and administrative aspects of the OAP, lowering of the eligibility age is also needed to ensure that it benefits all older people.

- Coordination between implementing agencies could be improved, such as between the Ministry of Social Development and the Pensions Directorate. Improved coordination could also facilitate case management and referral of OAP beneficiaries to other government services.

[1] This excludes the cost of the services provided by the Armed Forces.

- The OAP system could benefit from a modernization and automation process to improve its effectiveness and efficiency. This is a current priority in the country. In future, all OAP beneficiaries could be included in the National Information System for Social Assistance (NISSA) to improve the application, verification and payment processes.

This Universal Social Protection brief was produced by Thea Westphal of the ILO. It was reviewed by Lucilla Maria Bruni and Ana Ocampo of the World Bank, and Isabel Ortiz, Valérie Schmitt, Betina Ramirez-Lopez, James Canonge and Loveleen De of the ILO.

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Maldives

Universal old-age pensions

Maldives has witnessed a dramatic reform in its pension system. While a new two-pillar system was successfully established, the reform has been incomplete due to revival of defined benefit pension schemes for government employees and irrational benefit level of non-contributory universal pension.

Main lessons learned

- A universal non-contributory pension can be a good policy instrument to address poverty and income inequality.
- However, there will be continuing political pressure to increase the universal pension benefit level beyond the optimal value.

1. What does the system look like?

Structure of the overall system

Maldives' pension system has witnessed tremendous reform since 2008. The Maldives Pension Act (2009) establishes a two-pillar pension system, including a new contributory pension scheme based on a defined contribution (DC) model with centralized recordkeeping and a non-contributory citizen's pension (also called Demogrant) aimed at providing an income floor for all Maldivians aged 65 and above. The first scheme is called Maldives Retirement Pension Scheme (MRPS) and the second scheme is called Old Age Basic Pension (OABP). The MRPS first replaced the two pension schemes that were operating then solely for government employees and also was extended to the entire formal sector labor force. In the second phase, it has been opened to self-employed workers who can subscribe to MRPS on voluntary basis and are encouraged to do so with some co-contribution incentive provided by the government. Nine government institutions have also set up institution-specific pension schemes for their employees following defined benefit model in addition to MRPS. In 2014, the President introduced Senior Citizen Allowance (SCA) to all Maldivians aged 65 and above on top of OABP.

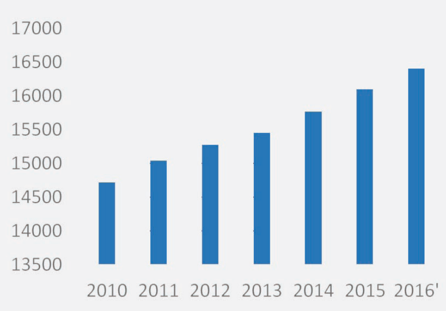
Coverage

As of April 2016, there are 16,401 Maldivians receiving OABP benefits and 16,884 receiving SCA benefits.[1]

[1] There are a small number of SCA recipients who do not receive OABP benefit. According to the Maldives Pension Act, OABP benefit is to be reduced if the same beneficiary also receive other pension benefits.

The coverage is regarded as universal.[2]

Figure 1. OABP recipients



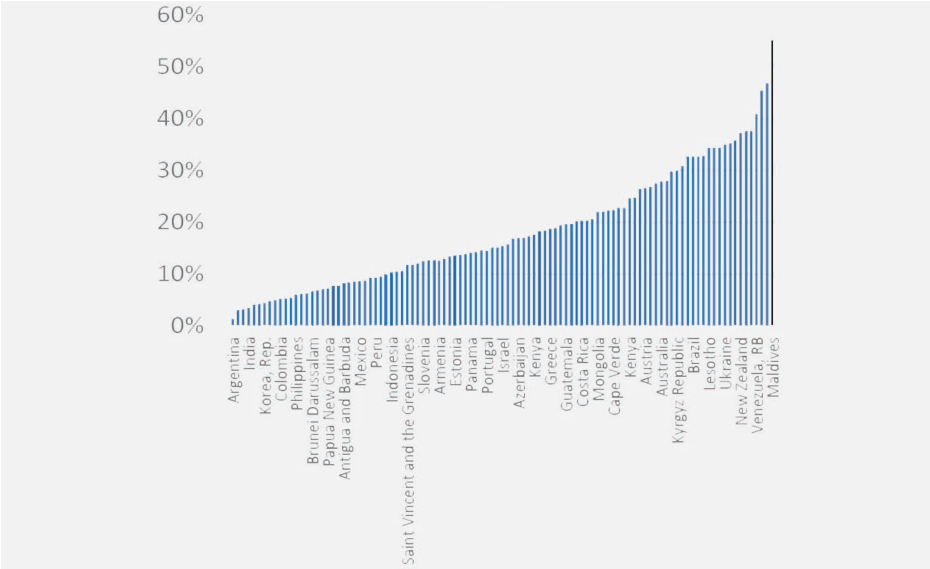
Benefits

The monthly pension benefit under OABP is MVR 2,300 while the SCA benefit is such that every eligible Maldivian senior should receive government benefit MVR 5,000 (about US$ 325) in total. The OABP benefit was MVR 2,000 initially and was adjusted upward in 2012 to compensate inflation.

Financing

According to the Maldives Pension Act, employee and employer both contribute 7% of employee's pensionable wage to his or her Retirement Saving Account in MRPS. Employees can contribute more voluntarily. OABP, SCA and the institution-specific pension are all financed from the general budget and in 2015 they account for about 2.6% GDP.

Figure 2. Social Pension as % of GDP per capita



[2] According to the most recent Maldives Population & Housing Census 2014, there are 16337 Maldivians who are aged 65 or above.

Legal aspects

The Government of Maldives initiated the policy deliberation upon the reform of its pension system in late 2006 and the reform proposal was enacted in the Maldives Pension Act in 2009. The SCA was introduced under a President decree.

Institutional arrangements

Both MRPS and OABP are managed by the Maldives Pension Administration Office (MPAO). MPAO is established under the Maldives Pension Act and operates autonomously under the management of a CEO and a Board of Directors, both appointed by the President. MPAO is mandated to carry out the following tasks:

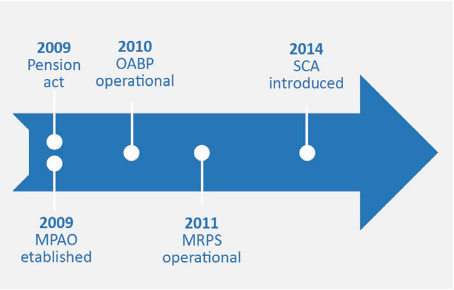
- Administer MRPS.
- Pay benefits under OABP, SCA, and institution-specific retirement schemes.
- Manage MRPS pension funds.
- Establish standards, rules and guidelines related to the schemes.
- Create public awareness and educate scheme participants.

For OABP, SCA, and institution-specific retirement schemes, the MPAO will receive fund transfers from the Ministry of Finance monthly to pay out those benefits.

2. How was this achieved?

The following timeline summarizes the sequence of main events associated with Maldives' universal old age pension:

Figure 3. Timeline of events associated with Maldive's universal old age pension



Political economy, stakeholders involved in the process, what was the main driving force behind the policy change?

Maldives started a complex political transition to a multi-party democracy with a new constitution in 2008. A wide range of reforms were initiated to modernize its governance structure and to increase and improve service delivery in response to rapid rising demands by citizens. One focus area was to build a comprehensive and effective social protection system to provide resilience and protect the poor.

Two major deficiencies identified then were limited old age security and inadequate protection provided by the existing social safety net programs against poverty. The old pension system only covered public sector employees and had several design flaws that could result in sub-optimal retirement income. And the old social safety net programs also had extremely low coverage and did not appear pro-poor due to large inclusion and exclusion errors. Only 0.3 percent of the population and 1.6 percent of the poor were covered by recurrent transfers; and total safety net spending (outside of the tsunami benefit) was 0.2 percent of GDP in 2004, much lower than what other countries with a similar level of income spent.

The pension reform plan, initiated by the previous government but received full support of the new government after 2008, was later codified in the Pension Act in June 2009. The new pension system separates the redistributive and savings functions in OABP and MRPS respectively. Furthermore, it is also envisioned that while the real value of OABP benefit is to remain constant over time due to indexation against inflation, continued wage growth would result in a higher contributory pension over time. Hence in the long run, most Maldivians would rely on the MRPS.

Overcoming constraints

The MPAO has made great efforts in raising awareness among potential beneficiaries about OABP and MRPS through various channels and partnerships. It has also worked with the banking industry to ensure regular and reliable cash disbursement in remote islands.

3. What are the main results in terms of impact on people's lives?

As both universal old age pension benefits were implemented after the most recent survey data (2008/09), little quantitative evidence is available on the effects of these pension payments to the recipients and their families. The upcoming Household Income and Expenditure Survey (2016) is expected to be the first opportunity to assess to what extent these benefits have reduced poverty within elderly as well as the population as a whole.

4. Key indicators

Both universal old age pension programs are supposed to cover all elderly who are 65 or above. Furthermore, the total benefit level of MVR 5,000 is rather high relative to Maldives per capita income (around MVR 9000 in 2014) and was estimated to cost about 2.3% of GDP in 2014. Hence there has been concern on its contribution to Maldives' continuing fiscal deficit. Furthermore it is believed that the high level benefit may also have potential longer term adverse impact on labor supply and saving behavior.

This Universal Social Protection brief was produced by Changqing Sun of the World Bank Group. It was reviewed by Isabel Ortiz and Loveleen De of the ILO.

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Mongolia

The Universal Child Money Programme

Mongolia's universal Child Money Programme (CMP) is one of the country's flagship programmes and an essential al part of its social protection system, which is among the most progressive and comprehensive of Asia. In May 2015, the Government of Mongolia is one of the country's flagship programmes and an essential al part of its social protection system, which is among the most progressive and comprehensive of Asia. In May 2015, the Government of Mongolia together with the UN agencies agreed on recommendations to complete a social protection floor which would therefore address the remaining social protection deficits.

Among the recommendations, stakeholders emphasized on the importance of maintaining the universality of the Child Money Programme and reinforcing both its legal framework and adequacy of benefits, as being the most effective response to tackle poverty, in particular rural poverty.

Recommendations for improving the Child Money Programme[1]

- The programme needs to be embedded in a legislative framework to safeguard its sustainability, coverage and adequacy.
- The programme should introduce an automatic indexation on the cost of living to guarantee its efficiency in terms of poverty reduction impact.
- Mongolia being a middle income country needs to maintain universality of its social protection and promote decent employment for increased social insurance coverage, as to fully activate the redistribution function of social protection systems, beyond solely poverty reduction.

1. What does Mongolia's Child Money Programme look like?

Programme characteristics and reach

The programme, which went through different phases of development (see below) offers an allowance of MNT20,000 (around USD10 in June 2016) per month to all children aged

[1] These recommendations represent a consensus among stakeholders obtained during the national dialogue on defining a social protection floor for Mongolia conducted in 2013-2014.

Figure 1. Definition of a social protection floor for Mongolia, agreed by the National Dialogue conducted in 2013-2014

Source: UN, Government of Mongolia, 2015: Social protection assessment based national dialogue: Definition and cost of a social protection floor for Mongolia (ILO, Ulaanbaatar)

0 to 17 years old including children under correctional service and living abroad. However, children of migrant workers are not covered by the programme, a gap that was brought to the attention of the Government[2].

The CMP is financed through the Human Development Fund (HDF), which is accumulated from mineral resource taxes. The CMP is perceived as a mechanism for redistribution of the wealth of the mining sector across the population in an equitable and efficient manner.

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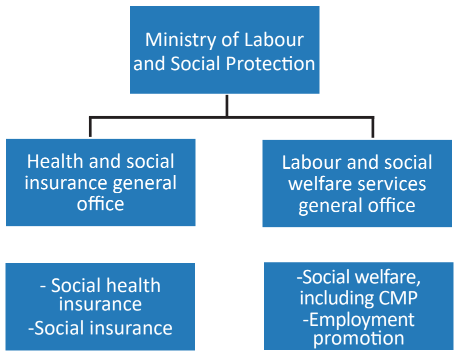
[2] See ILO, 2016: Report to the Government: Assessment of the social security legislation in view of a possible future ratification of the Social Security (Minimum Standards) Convention, 1952 (No. 102) (ILO, Geneva)

Two parameters of the programme can explain its success: first, **its focus on children**: The main beneficiaries of the programme are children, which are automatically eligible at the time of civil registration with the State Registration General Office (SRGO) (no additional procedure is required); second, **its effective payment mechanism**: The monthly benefit is paid directly through an automatic bank transfer to eligible families. As a result, by the end of 2015 a total of 1029,4 thousand[3] or nearly 100 per cent of children aged 0 to 17 years old received this benefit.

The place of the CMP in the overall social protection system of Mongolia

The CMP is part of a comprehensive social protection system, reflecting the strong attachment of Mongolia's society to solidarity and social justice. This system has five main components: (a) universal social health insurance scheme, partially or fully subsidized by the State for certain groups of the population; (b) compulsory and voluntary social insurance securing compensation and benefits in case of maternity, sickness, unemployment (only compulsory scheme), employment injury, old-age, disability and survivorship; (c) social assistance/welfare programmes financed from general tax revenues[4]; (d) the Child Money Programme and other right-based social protection allowances financed from mineral revenues through the Human Development Fund; and (e) active labour market policies, employment and local development programmes (financed from the State's budget).

Figure 2. Overall structure of the social protection system in Mongolia



Source: Ministry of Labour and Social Protection, 2016.

[3] National Registration and Statistics Office: Mongolian Statistical Yearbook 2015

[4] Mongolia provides an interesting example of universal maternity benefit, as it offers universal maternity protection coverage through a combination of different mechanisms. Formal employees are covered by social insurance on a mandatory basis and receive a replacement rate of 100% of their covered wage for four months. Herders, self-employed and workers of the informal economy can join the scheme on a voluntary basis, and receive maternity cash benefits for four months at a replacement rate of 70 percent of their selected reference wage after 12 months of contributions. In addition, maternity cash benefits under the Social Welfare Scheme are provided to all pregnant women and mothers of infants regardless their contribution to the social insurance scheme, status in employment and nationality. The benefit, equivalent to approximately US$ 20 per month (2015) is paid from the fifth month of pregnancy for 12 months. Maternity care is provided through the universal (tax funded) health care system (ILO, 2016).

As of the end of 2013, coverage under the mandatory social health insurance scheme was nearly universal, extending to more than 90 per cent of the population. The same year, a 71.6 per cent of the economically active population was insured under the social insurance system (table 1), either under the compulsory or voluntary scheme. However, those contributing to the voluntary scheme represented, in 2013, only 23.3 per cent of those who are eligible to participate, i.e. herders, self-employed, informal economy workers and unemployed. The total coverage expanded to 85 per cent in 2015, a rise mainly attributable to increased registration among self-employed and herders under the voluntary scheme.

In addition, the tax-funded social welfare system plays an important role in providing public support to members of vulnerable groups such as older people and people with disabilities, orphans, infants, women during maternity or single mothers with many children who are unable to live independently. There are 71 programmes stated by law targeting specific groups of the population accounting for 1.1 per cent of the Gross Domestic Product (GDP) in 2014.[5] Social welfare expenditure more than doubled, increasing from MNT99.3 billion to MNT256.8 billion between 2010 and 2015, resulting in 49.4 per cent of the population receiving some social welfare benefit, including the CMP allowance[6], impacting positively on poverty levels. During the period 2010 to 2014, the national poverty headcount index decreased from 38.7 per cent to 21.6 per cent, and in rural areas from 49.0 per cent to 26.4 per cent.[7]

Without the CMP, only 19 percent of the population would receive some social welfare benefit.[8] The CMP is therefore one of the flagship programme of the Government, together with the universal Maternity Allowance paid during 12 months to all pregnant women, irrespectively of their activity and employment status.

As noted above an important financing source of non-contributory social protection schemes is a Human Development Fund (HDF), established in accordance with the Law on Human Development Fund approved by the Parliament in November 2009. The HDF builds on revenues from the mineral and mining sectors and has an objective of redistributing wealth equally among all citizens of Mongolia. The Child Money Programme is one of the main programmes funded by the HDF.

[5] Source: Ministry of Finance, 1 June 2016. Programmes implemented by the Social Welfare Services General Office under the Law on Social Welfare, 2012; the Law on Social Security for People with Disabilities, 2005; Law on Social Security of Senior Citizens, 2005; and Law on Supplementary Allowance for Honored Senior Citizens, 2008.

[6] Onishi, J. & Chuluun, T. (2015). Review of program design and beneficiary profiles of social welfare programs in Mongolia. Washington, D.C.: World Bank

[7] NSO, 2014.

[8] Onishi, J. & Chuluun, T. (2015). Review of program design and beneficiary profiles of social welfare programs in Mongolia. Washington, D.C.: World Bank

In 2014, the aggregated expenditures for social welfare, State subsidies to the social insurance pension fund, and social protection expenditures of the Human Development Fund amounted to 3.4 per cent of the GDP.

Evolution of the Child Money Programme since 2005

Rising copper prices and swelling tax revenues resulted in a budget surplus in 2005, offering an enabling environment for strengthening social protection. In January 2005, the CMP was introduced as Mongolia's first programme targeting the poor.

Households with three or more children, identified as poor using a proxy-means test were entitled to an allowance if children had mandatory immunizations, lived with parents, and were not engaged in worst forms of child labour. In addition, for those with children aged 8 to 17 years old, the transfer was also conditioned on school enrolment. By June 2005, the programme has reached all its targeted population, or 61 per cent of all children aged 0 to 17 years old.

In 2006, copper and gold prices, as well as government revenues continued to climb, and in July 2006, the CMP was transformed into a quasi-universal programme: discontinuing the use of the targeting mechanisms, but retaining a soft form of conditionality on school enrolment. The benefit remained identical until the introduction of quarterly cash transfer of MNT25,000 for all children in January 2007.

In 2007, UNICEF conducted an assessment of the CMP impact on poverty reduction. The analysis showed that the efficiency of income targeting was poor due to flaws in proxy means testing and implementation issues. The analysis concluded that the 'universal' programme had a slightly larger impact on poverty reduction than a targeted programme had due mainly to exclusion errors associated with proxy means testing.

In January 2010, the Government discontinued the CMP and replaced it by annual cash transfer of MNT120,000 to all citizens.

In September 2012, the newly elected Government issued a resolution to re-introduce the CMP, providing a cash transfer of MNT20,000 per month to all children under 18 years, financed from the HDF. This resolution continues guiding the CMPs' implementation. The resolution kept the CMP unconditional and universal, with a simplified procedure for implementation. Citizens apply at any commercial bank and open up an account to receive their children's money; the banks do not charge any service fees as part of their Corporate Social Responsibility.

2. What are the main impacts of the CMP?

While no comprehensive impact evaluation of the CMP has yet taken place, several research findings confirm the progressive nature of the programme. Not only the benefit incidence is nearly twice as high in the poorest quintile compared to the richest quintile (Gassmann et al., 2015), the allocation of the transfer is pro-poor with 34 per cent received by the poorest group (Onishi and Chuluun, 2015). Based on an analysis of the 2014 Household Socio-economic Survey, the CMP significantly reduces monetary poverty. Estimations indicate that the CMP contribute to a 12 per cent reduction of the poverty incidence and reduced the poverty gap by 21 per cent. If only children are considered, the achieved poverty reduction is slightly higher. The CMP appears particularly powerful in reducing poverty in the countryside and in the Western parts and the highlands of Mongolia (Tserennadmid, forthcoming).

Table 1. Summary of Child Money Programme

Timeframe	Level of benefit	Number of children covered	Targeting and conditionality
01/01/2005-01/06/2005	MNT3,000 per month	350,000	• Households living in poverty identified using means testing • Households with 3 or more children • Vaccination • Not engaged in worst forms of child labour • Enrolled in school • Living with parents
01/06/2005 – 01/07 2006	MNT3,000 month	650,000	• Households living in poverty identified using means testing • Vaccination • Not engaged in worst forms of child labour • Enrolled in school • Living with parents
01/07/2006 – 01/01/2010	MNT3,000 per month	932,000	• Universal coverage conditioned to school enrolment • Living with parents
01/07/2007 - 01/01/2010	MNT25,000 per quarter	932,000	
Since 01/10/2012	MNT20,000 per month	967,900	• Universal coverage without any conditionality

Source: Ministry of Population Development and Social Protection, 2015

3. What's next?

The general elections held in June 2016 are a critical opportunity to ensure that social protection remains a priority for the new Government amidst the current serious economic downturn. In August, the newly elected Government has announced a number of measures to reduce public expenditures, including re-introducing the income targeting of the Child Money Programme. This move implies reducing coverage to 60 per cent of children – using an existing household database which was created through proxy means testing of households for a smaller programme (the food stamps programme). This and other measures will yet need to be approved by the new parliament (a similar initiative was rejected just six months before the recent elections); but the fiscal situation appear to leave little leeway for belt-tightening measures – at least on the short term.

The debate therefore is expected to continue in Mongolia on how to find sustainable solutions for financing popular social protection measures such as the CMP and what forms of targeting could sustain best the universal social protection floor. Advocacy for maintaining the universality of the Child Money Programme, as well as the social protection system in general would require strong national evidence on programme impact and efficiency; and the debate would need to be informed also by empirical evidence from other countries (including on sustainable ways of financing programmes). In this light, the possible ratification of the Social Security (minimum standards) Convention, 1952 (No.102) would provide useful guarantees for sustaining Mongolia's social protection system, including the Child Money Programme.

This Universal Social Protection brief was written by Celine Peyron Bista and Lkhagvademberel Amgalan (ILO), and Enkhnasan Nasan-Ulzii (UNICEF). The brief was reviewed by Gaspar, Roberto Benes and Catalina Gomez of UNICEF, as well as Prof. Dr. Franziska Gassmann of the UNU-MERIT/Maastricht Graduate School of Governance.

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Mongolia

Universal old-age pensions

In Mongolia, every older person receives a pension. The Mongolian old-age pension system comprises both a social insurance and social welfare pension schemes. The social welfare pension provides a minimum income security to those who have not qualified for a social insurance pension.

In recent years, Mongolia has displayed an impressive pace economic growth. As most countries in the world however, Mongolia is facing the challenges of an ageing population, especially also in attempts to ensure universal old age protection. From the mid-1970s to today, the older population aged 60+ has increased at a greater pace relative to the overall population. For the period until 2050, this pattern is projected to become even more pronounced. Combined with an increasing life expectancy, the prevention of old age poverty and the maintenance of the Mongolian pension system has become a more complex task.

Despite impressive economic growth over the past decade, 21.6 per cent of the population remains in poverty in 2014, mainly in rural areas. At the same time, more than 50% of households were reported to have older family members living with them. Population livelihood measurement surveys conducted between 1975 and 2000 furthermore identified the elderly as a group particularly vulnerable to poverty.

1. What does the old-age pension system look like?

Mongolia inherited a defined benefits (DB) pension system, based on a pay-as-you-go (PAYG) financing method that provided universal coverage and high levels of benefits. The pension system was fully funded by the State budget based on some financial redistribution mechanisms. In 1995, the Government reformed the system and introduced a contributory pension among other new social insurance branches. In 1999 a Notional Defined Contribution (NDC) scheme was established for workers born after 1960, with the intention of addressing the financial sustainability and coverage issues of the DB system. The NDC scheme applies only for those born after 1960.

By the end of 2015, 255,600 old-age pensioners, equivalent to the entire population in pensionable age, were receiving benefits from the contributory Social Insurance Fund, under the DB scheme. Due to significant reduction of the replacement rate under the NDC scheme, in 2015, the

Table 1. Two parallel contributory pension schemes of Mongolia

Old age pension	DB wage-based pension scheme (for those born before 1960)	NDC scheme (for those born after 1960)
Regulatory Law	Law on Pensions and Benefits provided by the Social Insurance Fund (1995)	Law on Individual Pension Insurance Contribution Accounts (1999)
Years of contribution	At least 20 years for a full pension, 10–20 years for a reduced pension	At least 15 years for a minimum pension
Retirement age	60 for men and 55 for women	60 for men and 55 for women
Contribution rates	**Mandatory insurance:** Employee and employer each pay 7 per cent of reference salary **Voluntary insurance:** Unemployed and self-employed workers, and herders pay 10 per cent of reference income **Range of pensionable incomes/ earnings:** between minimum wage and ten times minimum wage	**Mandatory insurance:** Employee and employer each pay 7 per cent of reference salary **Voluntary insurance:** Unemployed and self-employed workers, and herders pay 10 per cent of reference income. **Range of pensionable incomes/ earnings:** between minimum wage and ten times minimum wage
Pension rates	(45 per cent + 1.5 per cent for each additional year of contribution over 20 years) multiplied by the highest salary for any five continuous years among the last 20 years of contribution.	Notional account accumulation (contributions earmarked for old age + notional interest calculated according to average growth in covered wages over the past three years) / (annuity factor or life expectancy at retirement)

Source: Law on Pension and Benefits provided by the Social Insurance, 1994; Law on Individual Pension Insurance Contribution Account, 1999.

Parliament adopted an amendment to the Law on Individual Pension Insurance Contribution Account. The amendment provides alternative choice for participants born between 1960 and 1979 expected to receive an old-age pension under the current NDC scheme to opt for a pension benefit under either the initial DB or NDC, choosing the higher pension. In 2015, among the new pensioners born after1960, therefore first pensioners being eligible to the NDC pension, all opted for a pension calculated using the DB formula.

Besides the old-age benefits provided by the contributory (mandatory and voluntary) pension fund, the Ministry of Population Development and Social Protection (MPDSP) also implements a non-contributory social welfare pension for those women above 55 and men above 60 who have not contributed or do not have the required years of qualification to access the contributory pension[1]. The Social Welfare General Office (SWGO) of MPDSP administers the social welfare pension, as well as a number of other social welfare programmes targeting at vulnerable people. As of May 2016, 1,871 older persons receive a social welfare pension, mainly women who account for 1,342[2].

[1] At least 10 years for a partial pension, 20 for a full pension for both voluntary and mandatory DB schemes; 15 years with both the voluntary and mandatory NDC scheme (SIGO, 2015).

[2] MPDSP, May 2016

Table 2. Number of pensioners per programme

Scheme	Number of beneficiaries
Defined benefit old age pension insurance	255,600 people or over 100 per cent of the male population over 60, and female population over 55 years old (due to early retirement pensions) in 2015.
Defined contribution old age pension insurance	All new pensioners eligible under the NDC scheme in 2015 opted to receive a DB pension
Non-contributory military pension benefit scheme	16,200 people benefitted in 2015
Non-contributory social welfare old-age benefit	1,871 older persons in 2015
Social welfare cash supports for older persons	333,300 (double counting) people in 2013.

Source: SIGO, SWGO, 2015.

Several laws govern the legal framework of Mongolia's pension system, amongst others the Law on Social Insurance (1994), the Law on Social Welfare (2012) and the Law on Pensions and Benefits provided by the Social Insurance Fund (1994).

2. How was this major breakthrough achieve

The introduction of the NDC system in 1999 did not reform key parameters such as retirement age to address sustainability issue. The system guarantees a minimum pension provision at a level that will continue requiring substantial fiscal subsidies over the long run. Although first pensioners under the NDC scheme are only arriving now, a significant decrease in the benefit level is anticipated. Finally the NDC reform did not address the issue of universal coverage that the voluntary scheme failed to achieve. It is only in recent years, that coverage significantly increased under the voluntary scheme. By 2015, almost a million workers (989,036) were contributing to the social insurance fund counting for 85.0 per cent of the economically active population.[3]

The universality of the pension scheme in Mongolia relies in part on its large share of the population contributing to the scheme in particular among the formal economy. However, despite recent fast progress in increasing voluntary coverage (from 9.2 per cent of the herders, informal and self-employed workers in 2012 to 16.3 per cent in 2015), still only 10.4 per cent of herders in age of contributing are registered under the voluntary schemes (2015). In addition their period of contribution tends to be discontinued mainly due to the nature of their income.

Aware of the potential cost implication resulting from a large increase in the number of social welfare pension beneficiaries in years to come (those who have not sufficiently and are not currently contributing to the social insurance fund), the government has taken steps to increase coverage under the voluntary scheme. In January 2015, an amendment to the Law on Social Insurance introduced more flexibility in the contribution schedule. A recent measure (February 2016) requiring affiliation to the social insurance scheme as a condition for accessing commercial banks' loans with a lower interest rate also resulted in significant improvement in the coverage rate among herders.

Moreover, over the past three years, the government has been preparing a broader reform of the old-age pension system aimed at achieving universal coverage and strengthening the pension system. The State Policy on the Pension Reform, adopted at the Parliament in 2015, introduces a multi-tier system that articulates a universal minimum pension combined with a contributory pension for all, and supplementary accounts. Parameters for implementation of the State Policy on the Pension Reform are now being discussed.

3. What are the main results in terms of impact on people's lives?

Mongolia has introduced a large-scale contributory and non-contributory program for old-age pension. To date, all older people

[3] SIGO, May 2016

above statutory pensionable age receive a pension under the defined benefit scheme, inherited from the socialist economy. The social welfare pension corresponds to Mongolia's recognition of the universal right to social protection. It also responds to Mongolia's long tradition of social justice and in particular concern for supporting herders, including older herders. This is of particular importance due to decreasing support of traditional family structures and has many positive effects on the well-being of older people. A study shows that they feel better off as the social welfare pension enables the purchase of basic necessities as well as the participation in social activities (Mujahid, Banzragch, & Oyun-Erdene, 2010).

A universal pension is therefore a successful instrument to prevent older people from falling into poverty and reducing the vulnerability of households. Furthermore, while social health insurance is universal and fully subsidized for persons in pensionable age, a universal minimum pension improves access to health care services and drugs that are not covered and only partially reimbursed. However, the pension scheme itself does not sufficiently cover all medical expenses of the older people and inadequate medical service provision remains an issue (Mujahid, Banzragch, & Oyun-Erdene, 2010). However, a challenge is the significant inflation of the past few years as the pension is not indexed to inflation. Despite the basic income, 80% of older people in Mongolia consider themselves as poor due to the fast rising prices of consumer goods (UNFPA). Thus, a crucial element would be the adaption of the pension benefits to the actual costs of living. To conclude, poverty still remains a significant obstacle despite the strong economic growth and the introduction of large-scale programs for a universal old-age pension scheme.

Furthermore, the establishment of a multi-tier system of which the first pillar will correspond to a universal minimum pension and articulated with the contributory scheme will ensure a better adequacy of the level of pension. In order to reach universal contributory pension among the economically active population, the government is proposing the introduction of subsidies for certain categories of the population, following the success of the mandatory and universal social health insurance scheme already existing in Mongolia.

Finally, with political changes and pressure caused by the recent economic crisis and abrupt decrease in the mining revenues, the government, trade unions and business sector are strongly advocating for the ratification of the Convention on Social Security (minimum standards) Convention, 1952 (No.102) as a safeguard to the existing social protection system. Mongolia has one of the more expanded social protection systems in the region, with guarantees that provide universal social protection at each stage of life, e.g. maternity benefits, child allowance, old-age pension. A recent assessment of Mongolia's social protection legislation concludes that the country complies with the minimum requirements for ratification, which would place Mongolia as the second country of Asia and the Pacific in ratifying the Convention No. 102.

This Universal Social Protection brief was produced by Simon Neuland of GIZ. It was reviewed by Isabel Ortiz, Celine Peyron-Bista, Lkhagvademberel Amgalan and Loveleen De of the ILO.

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Namibia

The Basic Social Grant for all older persons

Namibia's old age social pension, renamed in 1998 as Basic Social Grant (BSG), guarantees all Namibia's residents over 60 years of age a monthly unconditional allowance of 1 100 Namibian dollars (N$) per month. It corresponds approximately US$ 78 per month lifting the grant beneficiary well above the poverty line. She or he however shares the grant with the extended family, especially by supporting the schooling and well-being of possible grandchildren.

1. What does the pension system look like?

Namibia gained independence 26 years ago and currently has a population of 2.1 million people, 57 percent of whom live in rural areas. Over the 2001 to 2011 period, the population growth rate declined from 2.6 percent per annum to 1.4 percent, while the Total fertility rate (TFR) declined from 4.1 children per woman to 3.6 children per woman.

Since gaining independence in 1990, Namibia's economy has enjoyed strong and stable growth. Its nominal gross national income per capita stood at US$ 5 870 in 2013, with a

Main lessons learned

- The universal social pension combined with social services can be an effective instrument to lift older people out of extreme poverty, to strengthen their dignity and to stimulate local economies.

- The impressive impact the pension has had on the reduction of poverty in old age motivated the government to nearly double the Basic Social Grant from N$ 600 to N$ 1 100 in 2015/2016. Further increases are planned.

- The provision of a regular and adequate pension benefit can also benefit other members of the extended family, especially grandchildren.

- The payment system must be made accessible e.g. by using modern ICT technology, biometric identification and mobile pay points in order to minimize transaction costs to both rights holders and duty bearers.

- Importantly, universal pensions addressed the plight of the poor older persons who were denied opportunities during the more than 100 years of colonialism and Apartheid, giving them a sense of dignity and full citizenship.

- The challenge is still to address the high inequality between different population groups.

- Namibia has had significant flow of income from Southern Africa Customs Union (SACU) and the mining industry but has to find a new balance as both of these are on the decline. In a country with very high inequality, unemployment and informality the challenge is how to finance social protection without burdening the poor through high consumption taxes.
- The government's increased current investments in social protection, health and education contribute to the reduction of inequalities in opportunities and incomes and to the development of a comprehensive and inclusive national social protection system.

purchasing power parity value of US$ 9 490. Based on this single indicator, Namibia was upgraded to an Upper Middle Income Country (UMIC) in 2009. However, this masks the high level of inequality in Namibia, which has a Gini coefficient of 0.60 (2013), one of the highest in the world.

Structure of the overall system

The system of Namibia's social protection is rather comprehensive compared to other countries in the region. The system consists of non-contributory (social assistance), and contributory schemes (social insurance, including state managed and private systems). The public sector social assistance also involves extensively professional social welfare services.

In Namibia there is at least one programme covering seven out of the eight essential life course risks[1]. Unemployment is not covered by any major programme. The unemployment rate was 28.1 percent in 2014 and affected particularly the youth. There are close to 30 schemes that can be classified as social protection measures and the administration of them fall under several Ministries or agencies.

Coverage

The actual coverage figure of the old age pension varies depending on data source used but is most likely well over 90 percent. There are regional variations. Remote areas are underserved while some urban centres exhibit figures over 100 percent.

Benefits

Every woman and man 60 years of age and older resident in Namibia is eligible to this non-contributory old age grant. The Basic Social Grant is financed through the State budget. The cash transfer has been increased steadily but not systematically as it is not regularly adjusted to inflation. In 2015-2016 the amount was increased from N$ 600 to N$ 1 100 (approximately US$ 78) as part of the social provisions of the

[1] These eight risk areas to be covered are identified in ILO Social Protection Reports as sickness; maternity; old age; employment injury; invalidity; survivors; family allowances; and unemployment.

Harambee Prosperity Plan prepared by the Office of the President. Persons with disabilities with a doctor's certification receive the same amount as older people. War Veterans' Subvention is about double the amount. Older persons, persons with disabilities and war veterans are also exempted from paying for any health services and are beneficiaries of the state financed funeral benefit scheme that pays for a burial amounting to N$ 3 000 (US$ 215).

Financing

Tax revenues constitute 93.5 percent of government revenues in Namibia. Out of the tax revenues 43.1 percent come from taxes on individual incomes and profits. Income tax yields 27.6 percent units and taxes on company profits 14.0 percent units of the total. The mining sector contributes about 12.6 percent of the GDP. It's contribution to the total of state revenues through direct taxes is 3 percent plus another 3 percent to the state's total revenues as royalties.

Namibian pensioners celebrated the increase of the national old age pension from N$600 to N$1,000 in 2015.
Photo by the Informante newspaper, 1 April 2015.

The contribution of the mining sector has been decreasing while that of the non-mining companies has increased. The share of the latter of government's tax revenue is eleven percent.

A very specific feature in Namibia is the revenue derived from the South African Customs Union (SACU) totalling to 36.9 percent of the tax revenues of the state. This component has been a very significant source of revenue but is on a declining trend.

Revenues from SACU and taxes and royalties from mining have contributed substantially to the fiscal space for financing social protection. As both of these revenue sources have been declining recently the issue will be to find a solution to the volatility and foreseen further decrease of these sources. Discussion continues on the further potential contribution of the mining industry and the currently rather non-existent property taxation.

The social sector comprising of Education, Gender Equality and Child Welfare; Health and Social Services; Sport, Youth, and National Service; Veterans Affairs, and Poverty Eradication and Social Welfare, was allocated the largest share of the budget in the 2016-2017 financial year, receiving N$ 28.5bn or 43.2 percent of total planned expenditure. This is due to the significant allocations given to Education, with N$ 12.8bn for Basic Education and N$ 3.4bn for Higher Education, and to Health and Social Welfare (N$ 7.2bn). The high allocation to the social sector is aimed

Table 1. State tax revenues by source in Namibia (percent 2014/2015 budget estimates)

Source	Percent of tax revenue
01. Taxes on income and profits	43.1
Income tax on individuals	27.6
Company tax (Mining 3.2 percent of the total) (Non-mining 10.8 percent of the total)	14.0
Other tax on incomes and profit	1.6
02. Property tax	0.6
03. Domestic taxes on goods and services	18.8
04. Taxes on international trade and transactions	36.9
05. Other taxes	0.6
Total tax revenue	100

Source: Estimates of revenue, income and expenditure 1 April 2015 to 31 March 2018. Republic of Namibia 2015.

at poverty reduction and improvement of social welfare through, among other interventions, the increase of the old age pension from N$ 1 000 to N$ 1 100, the rollout of food banks and the provision of free access to primary and secondary education.

The share of social protection expenditure of Namibia's GDP is higher than that in Sub-Saharan Africa in average. Expenditure on older people is particularly remarkable (3.2 percent compared to the average of 1.1 percent of GDP in the region).

Legal aspects and Institutional arrangements

Namibia has an extensive social protection system, managing client applications, records and payments for more than 15 percent of the population. For this purpose there is a significant legal framework and

Table 2. Expenditure by scheme type (2010/2011)

	Percent of GDP	Percent of SP expenditure
Social Assistance Tax-funded cash grants, run by various ministries	1,9	28,9
Contributory Social Insurance (State run)	0,3	4,7
Private insurance (a) Retirement funds (b) Medical schemes	4,4 2,9 1,5	66,4 43,7 22,7
Total	6,0 per cent	10 per cent

Source: Namibia Social Protection Floor Assessment, Report to the Government by ILO and the Oxford Policy Management (OPM) South Africa Office, International Labour Organization, 2014.

a range of institutions. There are extensive interactions or partnerships between public organisations and private agencies (including payment agents, banks and Namibian Postal Services) to deliver services.

Already in mid-1990s Namibia introduced a rather advanced technology for the payment system. For instance the cash dispenser machines on mobile vans used biometric identification with fingerprints. While mobile pay points and biometric identification increased security and accuracy, privatization also increased the costs. Further, while access has been improved, yet still some recipients in rural areas shoulder heavy transaction costs as the distance to the pay point can be long and transportation is costly. This also limits the coverage in scarcely populated areas.

A new boost towards eradicating poverty and reducing inequality was given by the new government. In 2015 it established a new Ministry for Poverty Eradication and Social Welfare. Management of social grants have been transferred to the mandate of this new ministry. The newly created Ministry of Poverty Eradication and Social Welfare has plans in place to come up with a comprehensive Social Protection Strategy and monitoring and evaluation framework as well as for looking into issues of systems and governance. A blueprint was adopted that outlines strategies and expected outcomes. As an interim measure, a foodbank was introduced to mitigate extreme poverty and ensure that all Namibians have access to basic food for survival. New structures such as street committees assessing and registering beneficiaries have been introduced.

2. How was this achieved?

The elements of the social welfare system in Namibia originate from different historical periods and from diverse philosophies.

The origins for the system are found in the South African pension system that dates back to 1928. Namibia was under South African rule but the South African apartheid government did not extend the social pension to Namibia until 1949. As in South Africa, it was first provided to the white population alone and gradually extended to universal coverage of the elderly population with a racially-defined tiered pension rate. In 1965, the old age benefit was amended to include coloured (non-'native' and non-'white') residents, and in 1973 the benefit was extended to black Namibians.

Removing discrimination from the pension system started after independence in 1990. The pensionable age for both men and women was changed to 60 years in the National Pensions Act of 1992. Further, in 1994 the pension was made equal across all pensioners.

Reduction of poverty and inequalities

has been seen by the governments after independence as the major challenge to be tackled and social welfare grants have been one of the instruments towards that goal.

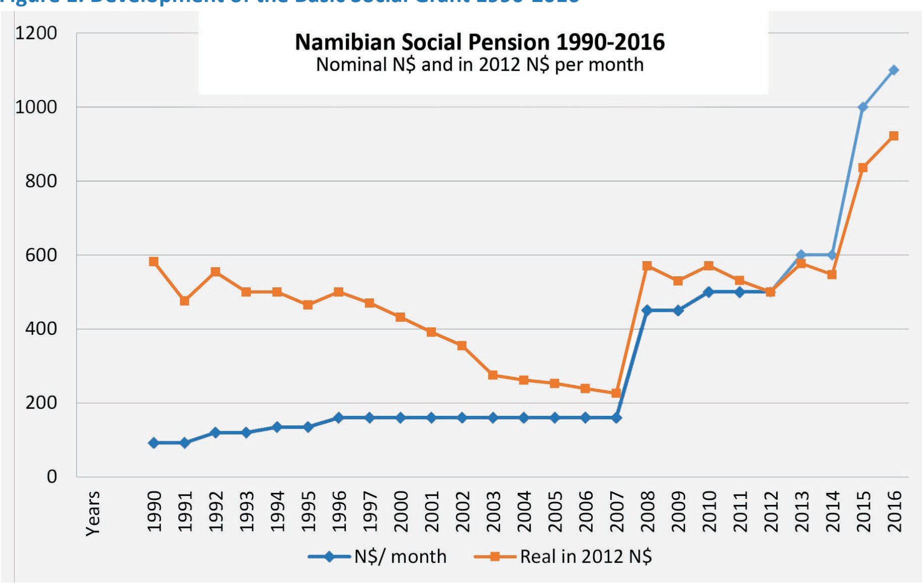
3. What are the main results in terms of impact on people's lives?

The impact of the Namibian social assistance system overall is positive. It is estimated that in 2009-2010 it reduced headcount poverty on the higher poverty line by more than 30 percent, and severe poverty by an even bigger proportion.

The Basic Social Grant has had major impact in reducing poverty in old age. Due to the universal nature of the grant, even the wealthy are eligible to it. Exclusion errors are minor – almost all of the poor older people are covered. In fact, many subsistence farmers experience a significant increase of their incomes after crossing the age line of 60 years.

Regular income makes older people even more valued members in families and communities. The National Household Income and Expenditure Survey of 2009 -2010 shows that a large share of this income is used by the elderly to the benefit of grandchildren, and in particular their nutrition and schooling. Interviews conducted by HelpAge International in communities recently testify concretely also how important the incomes of older people are for the economy of the community.

Figure 1. Development of the Basic Social Grant 1990-2016



On the basis of the 2009/10 National Household Income and Expenditure Survey (NHIES) the individual pension of that time (N$ 500) lifted the person well above the upper boundary poverty line of N$ 378.

And most importantly, regular pension income guarantees a life in dignity for older people.

4. What's next?

The recent major increase for the Basic Social Grant in 2015-2016 from N$ 600 to N$ 1,100 was justified by the evidence on the impressive impact the pension has had to the reduction of poverty in old age. Further increases are being planned. While the Basic State Grant has been very successful, other challenges of the social protection system as a whole have become more obvious.

The discussion continues on the costs and merits of universal versus targeted social protection transfers in a context of high inequality. One of the new initiatives on the table has been the universal Basic Income Grant (BIG) that was given a try in 2008 and 2009 in the village of Otjivero in Namibia.

Obviously, while the right to have access to social protection must be universal and equitable, elements of universal provisions and targeted, specific provisions have both their complementary functions in the social protection system as a whole. More research and feasibility assessments will be needed to design a functional system from existing elements. Also a path out of poverty, an empowering 'graduation' mechanism needs to be baked in. Regional disparities, long distances and uneven administrative capacities will bring more challenges into the equation in the Namibian context.

The Basic Income Grant was distributed through NamPost savings accounts. Photo courtesy of Basic Income Grant (BIG) Coalition.

Furthermore, a systematic management information system based on a single registry is necessary for the consolidation of the social protection system towards becoming equitable, inclusive and sustainable.

In spite of the relative comprehensiveness of the Namibian social protection system, important gaps remain. These are now being addressed, inter alia, through the Harambee Plan for Prosperity (HPP) which was developed to complement the National Development Plans and the government's Vision 2030. The HPP is a focused and targeted approach to achieve high impact in defined priority areas over a four year period with specific outcomes targeting the poor. The Namibian Government has expressed its firm commitment to equality, universalism and the extension of comprehensive social policies as an instrument to reduce poverty and inequality and for reaching prosperity for all.

This Universal Social Protection brief was produced by Ronald Wiman and Heidi-Maria Helenius of the European Union Social Protection Systems Programme (EU-SPS), and Petronella Masabane of the Directorate of Social Welfare Services, Ministry of Health and Social Services, Namibia. The brief was reviewed by Isabel Ortiz and Loveleen De of the ILO.

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The European Union Social Protection Systems Programme (EU-SPS) website: www.thl.fi/eu-sps

Nepal

Universal old-age and disability pensions, and other universal allowances

1. What does the system look like?

Structure of the overall system

The Government of Nepal runs a varied portfolio of social protection programs consisting of social insurance, cash and in-kind social assistance programs, and various labor market programs. The fiscal cost of the current portfolio of SP programs in Nepal reaches 2.5 percent of GDP (2011-12). The lion's share (about 1.5 percent) of this spending is on public sector pensions. Programs that can be classified as social assistance programs, usually intended to assist the poor and the vulnerable, amount to about 0.9 percent of GDP altogether.

Coverage and benefits

The social security allowance (SSA) (or, social pension) is the largest of the social assistance programs in Nepal. Old-age pension, single woman's pension, the child grant, disability and endangered ethnicity allowance reach about 2.2 million individual beneficiaries, with the benefit amounts ranging from Rs. 200 (USD2.00) per month per child for the child grant to Rs. 1,000 (USD10.00) per month for the elderly benefit. In FY 2015-2016, the total amount for the cash transfer schemes was approximately USD 150 million or 0.7 percent of the total GDP. These allowances are not explicitly targeted to the poor, they are intended for those who are considered socially and/or economically vulnerable.

Financing and Institutional Arrangements

The social security allowance (SSA) (or, social pension) is the largest of the social assistance programs in Nepal. Old-age pension, single woman's pension, the child grant, disability and endangered ethnicity These transfers are fully financed by government's own budget.
Department of Civil Registration (DOCR) under the Ministry of Federal Affairs and Local Development (MOFALD) is the agency charged with the responsibility of administering the social security allowances (SSAs) in Nepal. MOFALD recently stepped up its institutional commitment to strengthen its capacity to manage SSA by creating a new DOCR. Headed by a Director-General at the rank of joint secretary, the DOCR enjoys a degree of autonomy although it still remains subject to oversight and general control by MOFALD.
The delivery of SSAs currently relies

Table 1. Nepal Social Security Allowance (SSA) – Overview of Coverage and Benefits

SSA: *Not eligible if receiving a pension from the government/army/police*

SSA Type	Description	Benefit Amount[1]	Coverage budgeted for (FY 2015-16)	Year implement-ed
Senior Citizen Allowance	Allowance for all dalits[2] and Karnali residents over the age of 60; all others over the age of 70	Rs. 1000/ month	1,046,273	Jul-95
Single women Allowance	Allowance for single women 60 years or older; widows of all age	Rs. 500/ month	659,336	1996-97
Full Disability Allowance	Allowance for those who cannot go about daily life even with help from others with red ID cards from the District office of Women and Children.	Rs. 1000/ month	30,860	1996-97
Partial Disability Allowance	Allowance for those who can go about daily life with help from others	Rs. 300/ month	31,324	
Endangered Ethnicity Allowance	Allowance for those that belong to one of 10 endangered ethnic groups	Rs. 1000/ month	23,346	2009
Child Protection Grant (nutrition grant)	Grant for children under 5 in Karnali and poor Dalit children under 5 everywhere	Rs. 200/ month	469,362	Sep-09

In FY 2015-2016, approximately 2.2 million beneficiaries were reached through the SSA.

[1] The government recently doubled the SSA budget from NPR16 to NPR32 million to be effective FY2016-2017. However, the details on the exact amount for the benefit levels for the 5 schemes are currently being worked out.

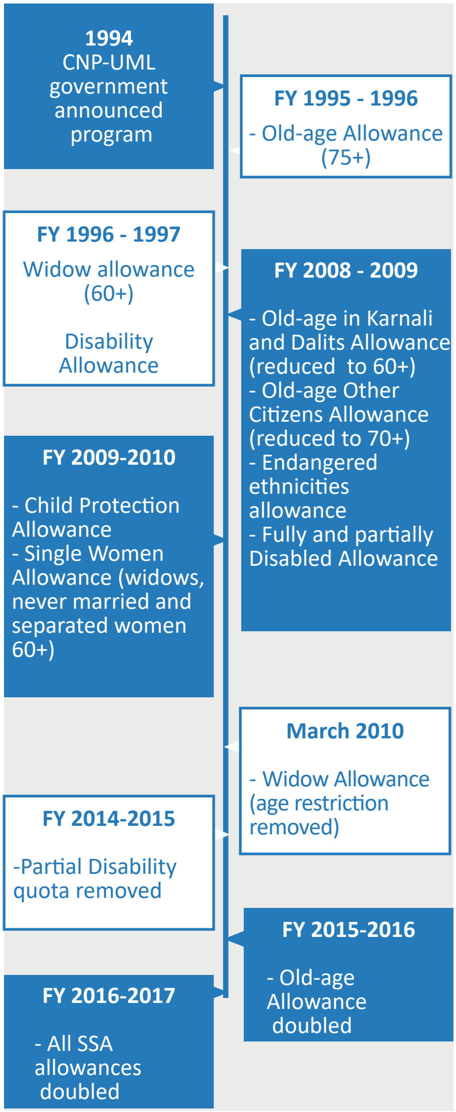
[2] Dalits have historically faced exclusion and deprivation along multiple dimensions, and are therefore the most disadvantaged ethnic group in Nepal.

mostly on manual methods of record-keeping. Beneficiaries enrol or renew their enrolment once a year at a nearby Village Development Committee (VDC) office. The VDC forwards the beneficiary roster to the District Development Committee (DDC), which then collates the VDC rosters into a document that indicates the number of beneficiaries for each category of SSAs (e.g., old-age, single women, etc.) and sends it to MOFALD. Although DOCR possesses a management information system (MIS) that is capable of managing the entire business process of SSA delivery, the MIS currently does not capture beneficiary records except in about 25 of the country's 75 districts where MOFALD/DOCR manually digitized the existing beneficiary records. For payments, DOCR relies on hand delivery of the benefits in cash through VDC secretaries. The payments take place three times a year and a survey of a small sample of beneficiaries has indicated frequent delays in payments.[3] MOFALD/DOCR are planning to shift to electronic record management with the MIS and benefit payments via bank accounts.

2. How was this achieved?

The following figure summarizes the timeline on how key policies for the social pension in Nepal has been achieved.

Figure 1. Timeline of key policies for the social pension in Nepal



[3] Assessment of Social Security Allowance Program in Nepal, Government of Nepal, National Planning Commission (May 2012).

Political economy, stakeholders involved in the process, what was the main driving force behind the policy change?

The current day social security allowance program began in 1994. The Communist Party of Nepal-Unified Marxist-Leninist (CPN- UML) government announced a new scheme in which senior citizens over the age of 75 would be given a monthly allowance of NRs. 100. While this program was first piloted in five districts, it was rolled out nationwide during FY 95-96 by the Home Ministry. In the next fiscal year, the Nepali Congress came to power and added two new schemes—monthly allowance of NRs. 100 to widows over the age of 60 and disabled citizens. From the same year onwards, the Ministry of Local Development (MLD) took charge of the management of the allowance program.

In 2008, the Maoist government introduced major changes to the program. They modified existing schemes and introduced new schemes which are listed below:

- They adjusted the eligibility for senior citizen allowance from 60 to 70 years for all non-dalit citizens and 60 years for Dalits and senior citizens in Karnali districts, a set of five poor districts in the far western area of Nepal;
- The benefit amount for both old-age and widow allowances was increased to NRs 500 per month;

Photo by: Soyesh Lakhey

- Members of ten “endangered” ethnicities would receive an allowance of NRs 1,000 per month; and,
- The disability allowance was split into the fully disabled and partially disabled allowances. Fully disabled beneficiaries would receive NRs. 1000 per month while partially disabled beneficiaries would receive NRs. 300 per month. A quota was specified per district for the number of partially disabled beneficiaries who could enroll in the program.

From September 2009 onwards, the Maoist government added a new scheme called child protection grant or child grant which would provide Dalit children and children in Karnali under the age of five a monthly allowance of NRs. 200. The Maoist government also expanded the category of widow allowance to include all single women over 60, i.e., those who were widows, never married and legally separated from their husbands. In March 2010, the Supreme Court ruled that widows of any age should be eligible for the benefit and this further expanded the coverage of widow allowance. More recently, in FY 14-15, the quota for partially disabled applicants has been removed and in FY 15-16, old age allowance was doubled to Rs. 1000/month, which included Rs. 500 for medical expenses.

Both the initial introduction of the SSAs and their subsequent changes/expansions tended to be announced as part of the government's annual budget speech/process. While the increases in the benefit levels have been in the right direction from the social protection perspective, these decisions tended to follow political considerations and have never been based on evidence-based considerations of their effectiveness.

3. What are the main results in terms of impact on people's lives?

Analysis of the most recent Nepal Living Standards Survey (NLSS) (2011) show that: [4]

- For both old-age pensions, 35 percent and for widow pensions, 46 percent of eligible beneficiaries are not receiving benefits;
- Leakage of benefits to ineligible beneficiaries appears to be a relatively minor issue and there is no conclusive evidence of overlaps between old-age and widow pensions;
- Cash transfer programs seem to have a very low impact on poverty.[5] In the absence of these transfers, the poverty headcount is estimated to increase by only 0.4 percentage points, from 25.2 to 25.6 percent.

The analysis of the impact of cash transfers on poverty is based on earlier data and does not reflect the recent changes, namely doubling the benefits, the Government of Nepal have made on the SSA program. Furthermore, in a 2011 report published by Nepal Participatory Action Network and HelpAge International that surveyed a sample of 488 respondents show that the social impact of non-contributory pension appears to be significant. Majority of the survey respondents,

[4] Improving Social Protection for the Vulnerable in Nepal: A Review of Social Assistance Programs and Expenditures, World Bank (2014).

[5] The analysis of the impact of cash transfers on poverty was made using the Third Nepal Living Standards Survey (NLSS III) 2011 and used the section on "Transfers, Social Assistance and Other Income". The NLSS III used a sample size of 7200 HHs of which approximately 960 people were reported as receiving benefits. It is important to note that while the NLSS III data are nationally representative, the sample size is relatively small and there are also potential for under-reporting within household survey data.

approximately 80 percent, have been beneficiaries of the old-age allowance and a high proportion of them responded that the immediate changes they experienced include fulfilment of basic needs such as food, clothes and medicine. Increased self-reliance has enhanced the senior citizens psychological confidence for survival and increased their overall happiness.[6]

4. Key indicators

- *Number of persons covered*: 2.2 million individual beneficiaries

- *Adequacy of benefits:* Before the government doubled the value of the old-age pension from Rs. 500 to Rs. 1000 per month, the SSA cash transfers amounted to about 1.2 percent of an average poor household's consumption. Altogether, the cash transfers had negligible impact on household poverty, as the poverty headcount dropped from 25.6 percent to 25.2 percent.[7]

- *Sustainability of the system?* Given the increasing trend of social protection expenditure, fiscal sustainability is a major concern of the GoN. However, the analysis also indicates that the MOFALD cash transfers and will not pose a major threat to the fiscal space for the next decade provided that there are no significant policy changes in the benefit amount or eligibility criteria.

Photo by: Soyesh Lakhey

5. Conclusion

A significant share of Nepal's population live just above the poverty line, and risks and deprivations from a variety of sources remain, including exclusions due to geographical, social, and historical factors as well as certain life cycle risks. Nepal is also vulnerable to climate change and natural disasters. All of these call for an effective social protection system to shield the poor and the vulnerable from the risks they face and reduce their vulnerability.[8]

The GoN's portfolio of the current SSA

[6] Effectiveness of Non-Contributory Social Pension in Nepal, Nepal Participatory Action Network and HelpAge International (2011).

[7] Ditto. The data source for this analysis was the 2011 Nepal Living Standard Survey.

program has steadily increased since its inception in 1994 from providing cash grants to 75+ senior citizens to now include five schemes. The GoN has continued its commitment to the SSA, whereby, they have now doubled the total budget from NPR 16 billion to NPR 32 billion for FY 2016-2017.

This Universal Social Protection brief was produced by Robert J. Palacios of the World Bank Group. It was reviewed by Isabel Ortiz and Loveleen De of the ILO.

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[8] Improving Social Protection for the Vulnerable in Nepal: A Review of Social Assistance Programs and Expenditures, World Bank (2014).

South Africa

Universal disability grants

Grant for Persons with Disabilities

According to its 2011 Census, 2.87 million people in South Africa or 7.5 per cent of the population lives with a disability. It is one of the only countries in sub-Saharan Africa to provide an allowance for people with disabilities (PWDs).

The South African National Development Plan 2010–30 emphasizes the need for an inclusive social protection system to address vulnerability and responds to the needs of persons with disabilities, older persons, children and particularly orphans.

The Disability Grant (DG) is provided to adults over 18 years of age and is the only non-contributory allowance provided to persons of working age in the country. The grant also covers persons with chronic illnesses such as HIV/AIDS, which has a prevalence of 18 per cent among people between the ages of 15 to 49 years.[1] The amount of the grant stands at 1,500 South African rands (ZAR) (US$112) and is fairly generous, considering

[1] People with chronic illnesses benefit from the Disability Grant but this is not legislated.

Main lessons learned

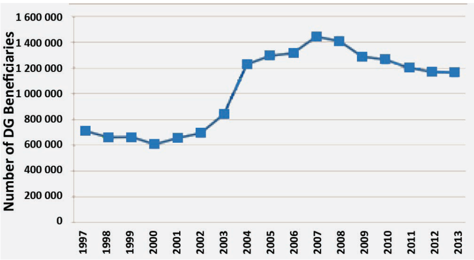
- South Africa has demonstrated that the extension of social protection to persons with disabilities is feasible and affordable for middle-income countries.
- Social grants for people with disabilities go beyond compensation for extra daily living costs caused by long-term ill health or a disability. They provide an income replacement for those unable to engage in paid work and compensate for the loss of income for those that have a partial loss of their earning due to their disability.
- It is essential to have political will and commitment of the government, particularly to increase public expenditures on social protection. Today, South Africa redistributes roughly 3.5 per cent of its GDP through social assistance programmes.
- The creation of a specialized management institution, namely the South African Social Security Agency (SASSA), made delivery of grants transparent and independent from political considerations and the payment channels made it easier to reach people in difficult situations and remote areas.

South Africa's status as a middle-income country.

1. How did the Disability Grant develop?

The Disability Grant (DG) was one of the first social security schemes to be introduced as a means-tested benefit in 1937. It was initially targeting the poor white population. In 1947, the DG was extended to all South Africans, but with different benefit levels and different income thresholds depending upon race. Incremental harmonisation began in the 1970s and parity between races was reached only by way of the South African Social Assistance Act in 1992. Today, the DG covers nearly 1.2 million beneficiaries. It is paid to citizens, permanent residents and persons with "refugee status" in South Africa.

Figure 1. DG beneficiaries, 1997-2013



Source: Department of Welfare and DSD Annual Reports 1997-2013

In South Africa, two institutions are active in the design and delivery of social protection. The Department for Social Development (DSD) is responsible for policy-making and oversight while the South African Social Security Agency, created in 2006, administers and delivers all social grants. The creation of SASSA reduced fragmentation and inconsistency within the previous system, where the benefit levels and eligibility criteria for social grants were decided by nine different regions and disbursed by different paymasters.

SASSA delivers benefits through fully equipped and well-staffed mobile units as part of its Integrated Community Registration Outreach Programme (ICROP). The ICROP facilitates beneficiary enrolment and registration, issues smart cards, maintains an online database, raises awareness, provides access to pay points, and conducts home visits by medical staff and social workers to ensure that individuals unable to go to the hospital or leave their homes—due to disability or sickness—have access to services and benefits.

In 2007, South Africa ratified and signed the UN Convention on the Rights of Persons with Disabilities (UNCRPD). The Convention facilitates the enforcement of the rights of persons with disabilities and requires states to actively take action to improve their living conditions, by providing support to help them to develop to their full capacities. Additional provisions are also contained in the Continental Plan of Action of the African Decade of

Persons with Disabilities (2010-2019), the AU policy instrument on Disability. Prevalence of HIV/AIDS in South Africa is 18 per cent among people between the ages of 15 to 49 years. Currently, a person living with HIV is eligible for the DG if it has resulted in some kind of activity limitation and if the CD4 count used to assess the immune system of a patient is below a certain threshold. For people living with HIV, the DG is the only non-contributory scheme that provides income security in case of loss of work capacity due to HIV infection and free health care. In 2003, 41 per cent of the DG beneficiaries were people suffering from 'retroviral disease' or 'immuno-compromised'.

In 2004, the government introduced free anti-retroviral drugs (ARVs), which significantly improved the health conditions of people living with HIV. Many of those that had significant improvements in CD4 counts lost their eligibility to the DG. This may explain why the number of DG beneficiaries has steadily declined since 2007 (see Figure 1).

2. What are the benefits provided?

Persons living with a physical or mental disability which prevents them from working for more than six months can apply for a temporary or permanent DG. Their eligibility is determined through a medical assessment done by a doctor either from the Department of Health or contracted with SASSA.

Further eligibility criteria include an income-based means test and valid identification documentation. The grant may be paid temporarily for between six and 12 months or permanently. The monthly amount of the grant is ZAR1,500 ($112) and lapses upon death of the beneficiary, failure to claim for three consecutive months, absence from South Africa or admission to a state institution for care. If the state institution has a contract with the state to care for beneficiaries of the DG, the DG is reduced to 25 per cent of the maximum amount for four months after admission to the institution. Upon discharge, the full DG is re-instated.

Eligibility for the grant is reassessed regularly for temporary Disability Grant payments. Coverage of the DG grew from 611,325 beneficiaries in 2000 to 1.24 million eligible persons in 2015. Complementary programmes for recipients include free health care, and being allowed to apply for "indigent status" to support households to pay for water, electricity and accommodation. The Reconstruction and Development Programme (RDP), provides free retrofit houses with accessible features to any South African citizen with disability and a monthly income of less than ZAR3,500 ($288).

Two additional grants are available to support DG beneficiaries. The Grant-in-Aid aims to support persons in need of support or care by another person because of their physical or mental disability. It is available for the beneficiaries of the DG, the Older Person's Grant and the War Veterans Grant. The Social Relief of Distress (SRD) programme serves as temporary assistance for applicants to overcome financial pressure during the application period (up to 21 days). Depending on how a disability has been acquired, beneficiaries may also be eligible for grants from the Road Accident Fund, the Unemployment Insurance Fund or Compensation for Occupational Injuries and Diseases Fund.

South Africa still struggles with strong social inequality with a GINI coefficient of 0.69 after social grants have been disbursed to beneficiaries.

3. What is the impact on people's lives?

In a society where unemployment stands at 24.3 per cent, many PWDs report being stigmatized and experiencing severe barriers to access the labour market. The DG provides some level of support to facilitate inclusion in the labour market of PWDs. However, these protective measures need to be complemented by job creation strategies and campaigns to educate employers not to discriminate against persons with disabilities.

Research into the impact of the DG has so far been limited. According to studies, 77 per cent of recipients cite food as their first item of expenditure and 59 per cent say that food is the item on which they spend most of their money. Recipients also spend money on electricity and water bills, which varies with the infrastructure available in the regions. Other expenditure items are purchases of clothes, funeral policies, debt repayments, rent payments, payment of school fees and remittances. Receipt of the DG, like all other grants, facilitates financial inclusion of recipients because all beneficiaries have an electronic smartcard for identification and payments. The DG benefits the whole household of the person with disabilities or living with HIV, and therefore has direct or indirect impact on the livelihoods of a larger population.

4. What's next?

In future, links with employers and affirmative action policies to integrate persons with disabilities into the labour market should be pursued and prioritised to enable beneficiaries to graduate from poverty. This is already envisaged in the National

Development Plan 2030 and required by the UNCRPD. To remove the barriers for PWDs, the policy framework for integration of PWDs exists and needs to be operationalized through pro-active and social understanding of disabilities.

This Universal Social Protection brief was produced by Johan Strijdom and Oumar Diop of the Department of Social Affairs, African Union Commission, and Thea Westphal of the ILO. It was reviewed by Johanna Sekele of the Department of Social Development, and Isabel Ortiz, Valérie Schmitt and Loveleen De of the ILO.

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South Africa

Universal pensions

Older Persons Grant

South Africa is ranked as an upper-middle income country but characterized by high poverty incidence and inequality among the population. The GINI coefficient stands at 0.85 without considering the effect of the Older Person's Grant (OPG). Further, inter-racial inequality is signified by a mean per capita income of ZAR934 ($76.9) of the black and ZAR7,641 ($614.3) of the white population in 2008.

South Africa has a long history as a welfare state and since the end of the apartheid era in 1994, the social protection system has played a crucial role in combatting poverty and inequality. It is also the first African country to have introduced a social pension for older persons. The Older Person's Grant (OPG) is provided to all people above 60 years of age and varies between ZAR1,500 ($112) and ZAR1,520 ($114). It is estimated that the OPG along with other social grants bring down the high inequality in society from a GINI coefficient of 0.77 (without grants) to 0.60 (with grants) (OECD, 2015).

Main lessons learned

- South Africa has demonstrated that extending social protection to older persons is feasible and affordable for middle-income countries.
- It is essential to have political will and commitment, particularly, to increase public social protection expenditures. Today, South Africa redistributes roughly 3.5 per cent of its GDP through social assistance programmes.
- Along with other grants, the Older Person's Grant (OPG) is one of the most important tools for poverty reduction in the country. This is evidenced by the reduction in poverty incidence among older persons from 55.6 per cent in 2006 to 36.2 per cent in 2011.
- OPG also promotes gender equality (eligibility ages for males and females were harmonized in 2011), and addresses inter-racial disparity, through a gradual harmonization of the benefit amounts for different racial groups.
- The creation of a specialized institution, the South African Social Security Agency (SASSA), made delivery of social grants transparent and independent from political considerations.

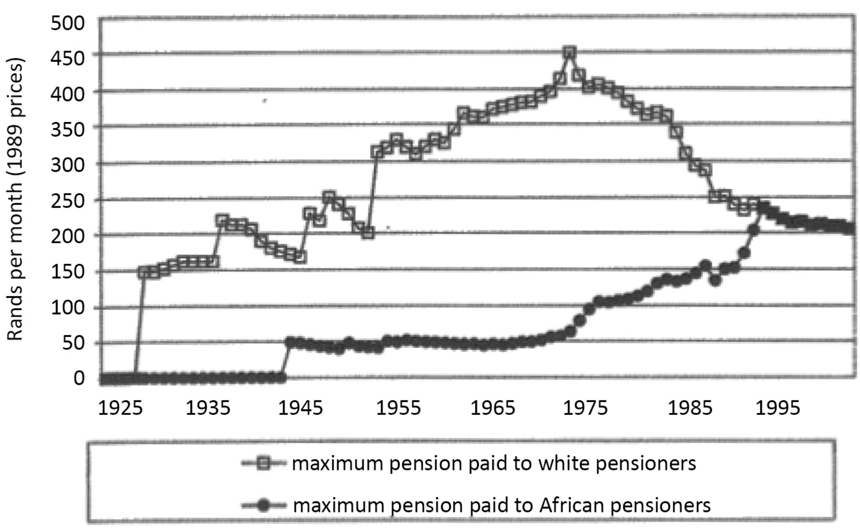
- South Africa uses an integrated system for grant delivery, monitoring and evaluation (M&E). The integrated M&E system helps to continuously improve delivery. Biometric identification of beneficiaries limits the chances for identity theft.

1. How was the older persons grant developed?

Means-tested social pensions were introduced in 1928. Originally, a social pension existed primarily for white male workers who had no access to occupational pensions and mixed-race women over 60 years of age. With time, trade unions for non-white workers were legalized, which contributed to expand the grant to the non-white population. Further, the amount of the old-age grant was gradually harmonized for different racial groups with a view to achieve parity. During the 1980s, the pension for the black population was increasingly raised while that for the white minority was decreased. By 1992, the means test was equalized for everyone regardless of race, which led to an increase of the income threshold for the black population.

Older Person's Grant (OPG) is a social grant in South Africa whose design has changed significantly in the last decade. Two of these design changes have significantly contributed to achieving universal social protection.

Figure 1. Maximum Older Person's Grant paid to South African black and white pensioners, 1925-2000



Source: Seekings/Nattrass 2005:131

Firstly, when it was introduced in 1928, it entitled all white men older than 65 years and mixed-race women over 60 years of age to an old-age grant. With time, OPG was expanded to the rest of the population – including citizens, permanent residents and refugees with legal status – and the eligibility age for men and women was equalised to 60 years in 2011. Secondly, the grant is delivered based on criteria defined by the Department of Social Development (DSD) and applied by SASSA, to ensure that decisions are transparent and replicable. The DSD is responsible for policy formulation and implementation support, while SASSA is an entity within DSD which administers social grants.

2. What does the OPG look like?

Benefits and coverage

OPG is an income-tested, monthly payment of ZAR1,500 ($112) for persons aged 60-75 years and ZAR1,520 ($114) for those above 75 years. It is paid to around 3 million older persons in South Africa, reaching up to 100 per cent coverage in some jurisdictions. OPG is given to citizens, permanent residents, and refugees with legal status. Applicants have to provide information about their income and financial assets for the means test. If a grant needs to be reviewed, additional documentation is required including greater details on the reported income and a life certificate to prove that the beneficiary is still alive. SASSA conducts the review and must notify beneficiaries three months prior to the review. In cases where payments are made electronically, the review automatically takes place once a year.

Geographic variation in coverage is mostly due to income differences between regions. The highest effective coverage rates are found in the metropolitan region of Johannesburg and Pretoria.

Operational arrangements

With the establishment of SASSA in 2006, delivery of the OPG has improved significantly as the scheme is now underpinned by coherent and transparent guidelines. Biometric identification is used at pay points to mitigate risks such as theft of the Personal Identification Number (PIN) and identity theft. At the time of enrolment, beneficiaries provide their photograph, fingerprints and voice recordings in English or seven vernacular languages. This information is saved in the database of the payment operator and a SASSA-branded MasterCard given to each beneficiary, which serves as the identity and payment card. Voice verification is offered as an alternative to certify beneficiaries who use PIN code identification and at points where no fingerprint scanners are available.

SASSA contracts Cash Payment Services (CPS) to disburse the social grants nationwide. CPS works in partnership with Grindrod Bank, which issues bank cards to beneficiaries. The account is free of monthly charges and allows full access to traditional banking services including ATMs, electronic fund transfers and point of sale transactions. SASSA cardholders can also transact offline where there is no formal banking infrastructure. Every channel requires beneficiaries to be identified through their SASSA card, which can only be done through successful biometric identification. Beneficiaries who use a PIN are identified through the PIN code and voice recordings. In this way, the payment remains secure and beneficiaries' identities can be verified even when there are no fingerprint scanners.

SASSA delivers benefits through fullzy equipped and well-staffed mobile units as part of its Integrated Community Registration Outreach Programme (ICROP). The ICROP facilitates beneficiary enrolment

Left: Mobile payment unit
Right: SASSA-branded MasterCard

and registration, issues smart cards, maintains an online database, raises awareness, provides access to pay points, and conducts home visits by medical staff and social workers to ensure that individuals unable to go to the hospital or leave their homes—due to disability or sickness—have access to services and benefits.

Payment Channels

Three different payment channels exist, all of which use the SASSA card. The first channel is SASSA pay point areas, where the payment provider CPS sets up mobile ATMs. second channel is payment into Grindrod bank accounts. The third channel is payment at institutions such as old persons' homes on a fixed date, where beneficiaries must authenticate their identity with their SASSA card. Payment dates vary and are released a little in advance to prevent robberies of the trucks carrying cash. Armed security guards are present at pay point areas.

3. What are the main impacts on people's lives?

Recipients of the Older Person's Grant (OPG) share their pensions within the households. Estimates indicate that one grant reaches up to six persons in a recipient's household. Family structures in South Africa are fluid and often multi-generational rather than nuclear, which is largely due to segregation policies of the apartheid era and high HIV/AIDS prevalence. An HIV/AIDS prevalence rate of 18 per cent among the working age population leads to many people having chronic illnesses and disabilities. Older persons often raise their grandchildren because the parents may have passed away due to HIV/AIDS related illnesses. In such circumstances, the grants serve as a reliable source of income and are shared within large households. Compared to non-recipient households, households in receipt of public old-age grants have higher shares of expenditure on food and education.

Research has shown that there is a positive correlation between living in a household with an OPG recipient and finding employment. Women in the 20-30 age group in recipient households are up to 15 per cent more likely to be employed and 9 per cent more likely to participate in the labour force than those in non-recipient households. Recipient households are more likely to experience positive health outcomes for children, especially girls, e.g. better height-for-age and weight-for-height.

4. What's next?

South Africa has come a long way since the end of the apartheid era in 1994. Today, its social protection system is one of the most comprehensive in the region. While OPG is currently a means-tested benefit, DSD plans to universalize the grant. Different models have been financially assessed since 2013 and tripartite consultations with stakeholders and representative bodies carried out to choose the most suitable policy option. Universalization of OPG is a priority in South Africa because it is more accepted politically than universalization of other grants. Older persons still suffer from the long-term effects of apartheid and are often perceived as being needier than other groups.

South Africa is considering introducing a mandatory contributory social insurance scheme that provides pension, death and disability benefits. This will help to provide adequate and affordable benefits, pool risks across the labour force and achieve social solidarity, complementing both non-contributory social assistance and private insurance.

Another gap in South Africa's existing social protection system is the lack of income support for unemployed persons of working age, i.e. between 19 and 59 years. This may result in the redistribution of OPG and other grants to unemployed members of beneficiary households, thereby lessening the impact on the intended beneficiaries and creating implicit subsidies for unemployed persons without a defined strategy or scheme to provide protection.

This Universal Social Protection brief was produced by Johan Strijdom and Oumar Diop of the Department of Social Affairs, African Union Commission, and Thea Westphal of the ILO. It was reviewed by Thomson Sithole and Anthony Makwiramiti of the Department of Social Development, and Isabel Ortiz, Valérie Schmitt and Loveleen De of the ILO.

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Thailand

Universal Pensions

Old-age allowance

In 2009, Thailand succeeded in expanding pensions for older persons through the implementation of a non-contributory old-age allowance.

Until recently, Thailand's pension system included several contributory schemes for government officials, private sector employees and informal economy workers. However, coverage of the latter group was very limited. Overall, only 20 per cent of older persons had access to some level of protection.

In the face of an ageing population and a large informal sector, the country sought new ways to protect older persons without coverage. In 2009, a non-contributory old-age allowance was introduced and Thailand reached universal coverage soon afterwards.

1. An ageing population with low pension coverage

While much of South-East Asia is characterized by relatively youthful populations, Thailand is ageing rapidly. Older persons will make up nearly one-third of the total population by 2050, as seen in Figure 1.

Main lessons learned

- In a country with a rapidly ageing population, a large informal sector and a relatively high incidence of poverty among older persons, a non-contributory pension can go a long way towards reaching those who do not have access to any social protection in old age.

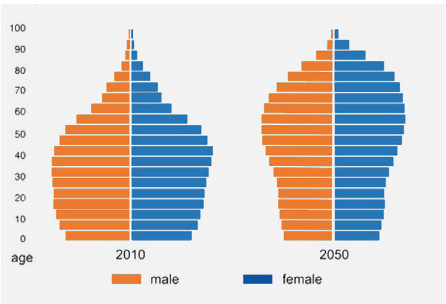
- Ineffective targeting procedures prevented needy as well as eligible older persons from receiving a pension. A universal scheme introduced in 2009 resulted in over 5.5 million new beneficiaries by 2013.

- Poverty among the elderly has fallen, which can largely be attributed to increased pension coverage. Increasing and indexing benefits, as well as strengthening the legal and financial foundations of the scheme, could further strengthen its positive impacts.

- Even though the benefit levels have increased steadily over time, the pension still does not provide sufficient protection. The non-contributory allowance can be complemented by additional schemes, such as the recently established National Savings Fund, which strives towards providing more comprehensive protection for people in old age.[1]

[1] As the fund started in 2015, the effectiveness of the scheme cannot yet be assessed.

Figure 1. Population distribution by age group and sex, 2010 and 2050



Source: UN Population Division (July 2012)

In 2020, the population of persons aged 60 and above is expected to surpass the number of children for the first time in Thailand's history.[2] Yet, until 2009, no more than 20 per cent received any form of old-age pension, often despite decades of hard work.

Thailand's pension system has continuously developed over the years and includes various schemes for government officials, private sector employees and informal economy workers. Depending on the number of years of contribution, government officials receive a lump-sum payment or a pension under the Pension for Civil Servants Act, 1951. Furthermore, they can also avail the Government Pension Fund, which provides a lump-sum payment upon retirement.

Depending on the duration of the contributions, private sector employees can receive a monthly pension or a lump-sum payment under the Social Security Act, 1990 (section 33). Additionally, private sector employees can contribute to a provident fund that gives them a lump-sum payment upon retirement. Those who were previously insured under section 33 and cease their employment can continue to be insured under section 39. The contributions and benefits are based on a reference income of 4,800 Thai baht (THB), which is less than the minimum wage.

Workers in the informal economy can choose to contribute to one of two options under the Social Security Act, section 40. The first option does not provide any form of retirement benefits, while the second option provides a lump-sum old-age benefit. At the end of 2010, only 84 individuals were insured under section 40 (SSO, 2016).

2. A need for a non-contributory old-age allowance

Previously, there was a large gap in protection for informal sector workers and inadequate benefits for retirees from the formal sector. This led the Government to develop an old-age allowance for "underprivileged elderly", defined as persons at least 60 years of age without enough income to meet necessary expenses, or who are unable to work, abandoned or have no caregivers.

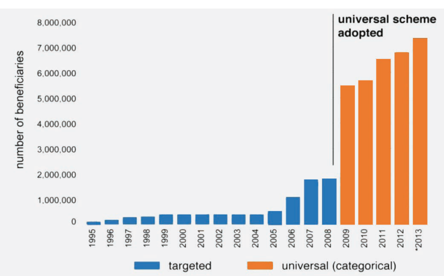
The old-age allowance was designed at the national level, but

[2] Children are defined as persons below 15 years of age.

was implemented through local authorities who were responsible for overseeing the scheme, selecting beneficiaries and paying benefits. However, local authorities differed widely in their interpretation of the national guidelines and application of the eligibility criteria. There was some abuse and leakages in addition to the exclusion of more than 50 per cent of the underprivileged elderly (Suwanrada and Dharmapriya, 2012, p. 158).

When it debuted in 1993, the allowance reached just 20,000 individuals. Reforms to the targeting methodology were made in 1995, 2002 and again in 2005, which resulted in increased representation of elderly advocates and local community members in the local committees in charge of the selection and disbursement processes. As a result of this and increased budget allocations, the number of beneficiaries went up steadily in the years that followed. Still, many eligible beneficiaries remained outside pension coverage. When the Government dropped ineffective targeting procedures altogether in 2009, coverage significantly increased.

Figure 2. Expansion of the old-age allowance, from 1995 to 2013



Source: ILO, UNDP (2011)

3. A window for universal pensions

In April 2008, Thailand's government opted to implement the old-age allowance as a universal scheme as one part of its stimulus package to mitigate the global economic crisis and accelerate recovery. All individuals aged 60 and above residing outside of public elderly facilities and without access to regular pension payments became eligible for the benefit. As a result, coverage expanded remarkably.

Under the universal scheme, the supervision of the allowance is centralized under the Department of Social Development and Welfare with local bodies responsible for registering "residential inhabitants", a status required to receive the old-age allowance, and for distributing payments collected in person.

Registration happens once each year. Registrants can either appear in person at their local authority's office or sign up at a roving mobile registration unit. Payments are then either collected in person at the local authority's office or deposited directly into a bank account. Beneficiaries may also designate another individual to receive the benefits for them.

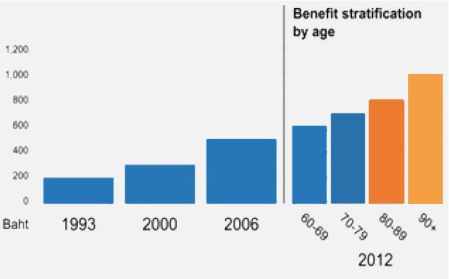
The universal old-age allowance serves as the first and only form of pension for many of those working

in the informal economy. It is also a complementary source of income for retirees from the formal sector.
Simultaneously, the Government started to provide a matching contribution under the Social Security Act, section 40. This contributed to increasing membership of the voluntary social insurance to 2.4 million by the end of 2014.

4. What's next?

Since its introduction in 1993, the old-age allowance increased steadily from THB200 per month in 1993 to a maximum of THB1,000 in 2012, as seen in figure 3. The adoption of a tiered methodology in 2012 recognizes greater need for income support as people grow older, due to the reduced capacity to work and increased health and long-term care needs.

Figure 3. Evolution of the old-age benefit, 1993-2013



Source: ILO, UNDP (2011)

While the extension of coverage and deepening of benefits has made discernible improvements in the lives of Thailand's older persons, the pension amount still remains far from the poverty line of THB2,647 per month in 2014 and minimum wage of THB300 per day. Indexation to the consumer price index, a percentage of the minimum wage or other benchmark could help ensure that the scheme provides sufficient income security for older persons.
In 2009, Thailand amended its Elderly Act to include the universal old-age allowance in national legislation. However, stipulations for setting benefit levels exist only in ministerial decrees, leaving it vulnerable to fiscal and political pressures.
For around 30 million informal economy workers who are not members of the Government Pension Fund or SSO pension scheme, the Government aims to reduce the income parity gap through the National Savings Fund, which started operations in 2015. Workers can contribute THB50-13,200 per year to receive a monthly pension of up to THB7,000 upon retirement.

This Universal Social Protection brief was produced by James Canonge and Loveleen De of the ILO. It was reviewed by Isabel Ortiz, Valérie Schmitt and Nuno Cunha of the ILO, Usa Khiewrord of HelpAge and Dr Thaworn Sakulphanit of the Health Insurance System Research Office in Thailand.

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Timor-Leste

Universal old-age and disability pensions

1. What does the system look like?

Timor-Leste is a young country, where a large share of the population lives in poverty and most are vulnerable. In the aftermath of the 2006 East Timorese crisis,[1] the Timorese government put in place a set of cash transfer schemes, aiming to avoid future tensions and attend to the needs of the most vulnerable. The first of these programmes was the **Pension for Older Persons and People with Disabilities** (Portuguese: subsídio de apoio a idosos e inválidos – SAII), a universal pension for the persons with disabilities and for those above the age of 60.

In a short period, other programmes were created, including benefits for the veterans of the independence struggle and Bolsa da Mãe, a cash transfer designed for poor female-headed households with children. In 2012, the Transitory Social Security Scheme, a non-contributory old-age pension for public servants, was created as a temporary programme, while a contributory social security scheme, which covers both the public and private sectors, is expected to start operating in 2017. Health and education are free for all Timorese citizens since the independence in 2002.

Despite the progresses since independence, poverty is widespread, and older individuals experience reduced labour productivity and capacity as the years pass. In a country where around 70% of the population lives in rural areas and many depend on their own food production, older persons, representing around 6% of the population, and people with disabilities, were chosen as priority groups given their vulnerability status. Before the establishment of SAII, older persons and people with disabilities had to continue working or depend on their families for subsistence, as no programme was in place to provide support for this group after the independence.[2] The first payment of SAII was made in August 2008, and it achieved a substantial coverage among the elderly in its first year.

Coverage

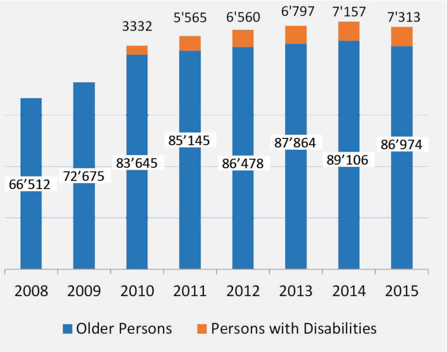
Being a universal programme, all Timorese above the age of 60, or individuals above 18 who have a disability, are eligible for SAII. It

[1] The 2006 East Timorese crisis was marked by riots and violence across the country as citizens took to the streets in their frustration with the apparent failure of the government to deliver the advances promised at the time of the independence in 2002.

[2] Before independence, they were part of the Indonesian system. After independence, contributions made to the previous system were lost.

currently delivers benefits to 94,287 individuals, being 86,974 older persons, which corresponds to 103% of this group,[3] and 7,313 people with disabilities, which corresponds to 18.2% of target population. Individuals living abroad are not eligible, and must be living in the country for at least one year to be able to receive the benefits. Figure 1 shows the evolution of coverage of SAII throughout the years. Public servants do not receive the SAII but are covered by a higher benefit provided by the Transitory Social Security Scheme, which pays old age pensions calculated based on the average lifelong income of the beneficiary. Currently, this programme covers 688 former government employees.

Figure 1. Number of beneficiaries of the universal old-age and disability pension

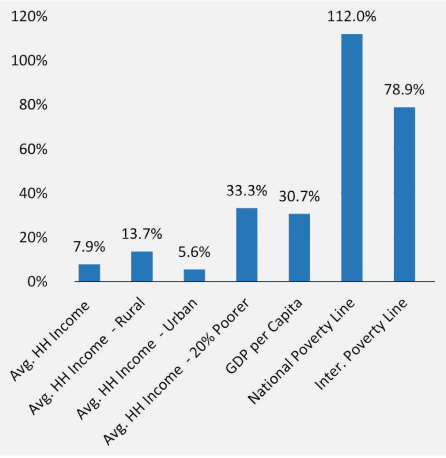


Source: Ministry of Social Solidarity

Benefits

The benefit amount is the same for all beneficiaries. Its value is defined by official decree, and it is limited to one third of the minimum wage of civil servants. When launched in 2008, the SAII benefit was US$ 20 per month, and it was increased in 2010 to US$ 30 per month, its current value. The benefit is above the national poverty line but below the international poverty line. It stands at 7.9 per cent of the average household income in the country (see Figure 2).

Figure 2. SAII Benefits (US$ 360 per year) as Share of Different Income Indicators[4]



Source: HIES 2011; World Bank Database; Ministry of Social Solidarity; and Author's Calculations

[3] The coverage exceeds 100% due to some inclusion errors, or due to underestimation of the number of people above age of 60 by the projections based on the 2010 Census.

[4] Average Household income = $ 4,532.76 (2011); Average Rural Household income = $ 2,624.52 (2011) Average Urban Household income = $ 6,379.20 (2011); Average Household income of the 20% poorer = $ 1,080 (2011); GDP per capita - Non-Oil (2014) = $ 1,169; National Poverty Line = $0.88 per capita per day; International Poverty Line = $1.25 per capita per day.

By law, the benefits should be paid by bank transfer monthly, or in cases that payment should be done directly, every three months. In practice, the lack of financial infrastructure, the difficult access to isolated communities and limited resources for payment operations results in payments being made twice per year.

Individuals receiving Veteran benefits, or benefits from the Transitory Social Security Scheme for public workers created in 2012, are entitled to the higher of the provisions. Additionally, individuals in prison, or inmates of a social institution of the government, lose temporarily the benefits, as long as these conditions remain.

Financing

In the same way as all current social protection programmes of Timor-Leste, SAII is financed by the General National Budget. Currently, its budget of US$ 30.6 million plus US$ 1.3 million of the Transitory Social Security Scheme, represents about 2.2% of GDP (non-Oil) invested in income security of the older persons, slightly above the Asia and the Pacific regional average of 2.0%, but still below global average of 3.3% of global GDP. While the global and regional figures include contributory and non-contributory schemes, the current Timorese old-age pensions are exclusively tax-funded. Looking only to tax funded pensions, Timor-Leste will likely be found in the high end of the global investment.

Legal aspects

Social protection is a right in Article 56th of the Constitution of Timor-Leste, according to which, "every citizen is entitled to social assistance and security in accordance with the law". Furthermore, Articles 20th and 21th reinforce the right of protection of the older persons and people with disabilities.

The programme was enacted in June 2008 by the Law Decree Nº 19/2008, which described, regulated and effectively created it. In August 2010, the "*Diploma Ministerial Conjunto/MSS/MF/2010*" increased the value of the benefit.

Institutional Arrangements

The Ministry of Social Solidarity (MSS) is responsible for the SAII programme, through the National Directorate of Non-Contributory Social Security (DNSSNC, the acronym in Portuguese). Registration to the programme is done in partnership with the District and Sub-District Administration (under the Ministry of State Administration), and payments are done together with the Ministry of Finance and the National Bank. Local leaders (Suco chiefs) play a significant part in the identification of the beneficiaries, and are responsible for confirming that the older person in fact lives at the location.

When the creation of the Contributory Social Security Scheme is approved by the Parliament, an independent institution will be constituted to manage and operate the new system. Once this occurs, it is planned that the responsibility of administration of the Transitory Social Security Scheme and of SAII will be transferred to the newly created National Institute of Social Security.

2. How was this achieved?

As mentioned, SAII was developed partly as a strategy to mitigate risks of unrest and instability due to the widespread poverty and vulnerabilities, and partly as means to alleviate poverty. However, the creation of the universal pension scheme is solidly based on the Constitution of the nation that expresses the right to social assistance to all, and recognizes the extra attention older persons and people with disabilities require. Additionally, already in the first National Development Plan (NDP) from 2002, social assistance was seen as an important tool for social stability. Furthermore, the NDP also foresaw the provision of support for older citizens and persons with disabilities, as it reinforced the situation of vulnerability faced by this group.

In the first years of independence, the government chose not to rely on financial benefits for social assistance, but offered non-cash benefits to households, often in ad hoc manner. After the conflicts of 2006-2007, the approach to social protection changed, as the National Recovery Strategy concentrated efforts on five topics: transitional shelter and housing, social protection, security and stability, local socio-economic development and confidence-building/reconciliation activities. As a consequence, the mentioned set of social provisions was created to lower tensions and to promote social peace. The social protection package launched in 2008 included SAII, the Veteran benefits, and Bolsa da Mãe programmes, and the fast increase in beneficiaries and coverage led to expressive increases in social expenditures, from US$109 million in 2008 to US$160 million in 2012.

Overcoming constraints

For a country with such limited infrastructure, the pension coverage attained, especially considering the speed it occurred, is an impressive feat. Currently, SAII covers almost 87,000 older persons, number that corresponds to 103% of the population above the age of 60 in Timor-Leste. However, coverage of persons with disabilities remains a challenge. It is estimated that there are about 40,000 persons living with physical or mental disabilities in the country, and SAII reaches only 7,313 of them – about 18.2% of the target population.

As mentioned, the lack of financial infrastructure in the districts and the difficult access to isolated communities result in payments being made only twice per year. A solution for this is being developed in two manners; the first is to progressively require the use of a bank account to receive the benefit – current limitations are due to the fragile banking infrastructure in the districts. And the second, designed for the beneficiaries with mobility problems and who are sick, is the use of mobile units for payment. This system is still running on a pilot basis.

Other issues arise from problems with documents and identification of beneficiaries. Many citizens of Timor-Leste do not have an identification document, and the most common document among the Timorese is the electoral card. This creates three problems. First is to identify those who do not have any documents – often because they never had, or because it was lost during displacement due to conflicts. The Suco[5] chiefs often intervene in these situations to attest the applicant's identity. The second issue is that the electoral card is easily falsified, leading to fraud cases, which can partly explain the coverage of older persons being above 100%. Lastly, the lack of documentation extends to death certificates, which are not issued, and therefore beneficiaries that die are not reported and unjustified payments could still be made to family members.

Improving coverage among people with disabilities goes beyond the improvement of identifying and registering beneficiaries. Families are often ashamed of having a member with disability, and thus hide them from outsiders – including social workers and even from survey collectors. For coverage among this group to increase, people with disabilities need to be perceived as individuals with the same rights and needs as anyone else. In this sense, the government is investing in raising awareness and social inclusion of persons with disabilities.

Additionally, despite the high coverage of older people, the value of the benefit paid has not being adjusted since 2010. Inflation during this period, has reduced the purchasing power of the transfer, and most likely, the impact of the programme. Indexation mechanisms could be set to help guarantee that the pension remains at an adequate level to support the older persons and people with disabilities in their subsistence.

3. What are the main results in terms of impact on people's lives?

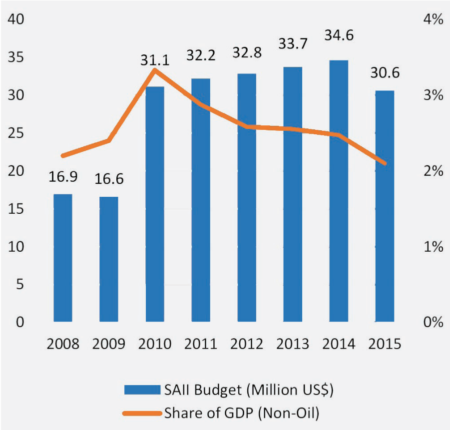
Outcomes

As mentioned, the old age pension achieved universal coverage from its early years, and has been keeping this until today. There were few studies on the effective impact of the pension. However, a simulation calculating consumption distributions with and without the transfers made in 2011, estimated that SAII reduced national poverty[6] from 54% to 49% and poverty among older persons from 55.1% to 37.6%. For persons with disabilities,

[5] Sucos are the smaller administrative unit of the state, comparable to a hamlet or small village

[6] At the international poverty line of USD 1.25 per capita per day.

Figure 3. SAII Budget Evolution (in Million US$) and as Share of Non-Oil GDP



Source: Ministry of Social Solidarity, Directorate for Social Security; World Bank Database

reduction in poverty headcount was 17.5 percentage points, from 63.3% to 45.8%.

Impact on people's lives

Although the older persons represent only about 6% of the population, almost 1 in 3 households have a person aged above 60 living in it. Information on the use of SAII benefits show that recipients spend most of the transfer (88.4% of the benefit value) on food items, followed by frequent expenditure on education (by 28.1% of recipients) – demonstrating a strong inter-generational transfer. Other use of the benefits is on health care (13.4%) and to purchase livestock or assets (6.4%). The uses of the benefit show that the older persons contribute to the overall household economy, and invest a significant share of their resources into the improvement of the family earning capacity.

Sustainability of the system

The cost of SAII has varied from around 30 to 35 million dollars in the last few years, little above 2% of Non-Oil GDP. This will most likely change in the future, as life expectancy is increasing rapidly in Timor-Leste, rising from 60.2 years in 2001, to 68.2 in 2014. This will cause beneficiaries to receive the transfers for longer periods of time, as the number of beneficiaries also increases. However, in the opposite direction, the creation of a non-cumulative contributory old-age pension scheme, that will have broader coverage than the current Transitory Social Security Pensions, will reduce the number people depending on SAII. Nonetheless, dependency ratios of older persons will continue considerably low still for many decades, as Timorese birth rate remains one of the highest in the world.

4. What's next?

Plenty of challenges remain to improve the effectiveness and reach of SAII. In order to learn more about the programme's impact, an evaluation study is being developed. This will bring light to what is the true effect of SAII, and in which manners its operation and benefits can be improved. Parallel to this, efforts to improve registration and payment systems, as well as to raise awareness among the Timorese population to increase coverage of the disability pension are on the top of the agenda for the MSS.

These improvements will, unquestionably, help the programme to overcome some of its limitations; however it is important to highlight the achievements the programme has had so far. The expressive coverage of older persons shows that even in places with little to no infrastructure, it is possible to reach most of the eligible population. Moreover, the Timorese experience demonstrates that these types of programmes are affordable, and can have significant impacts on the lives of the beneficiaries and their families.

This Universal Social Protection brief was produced by André F. Bongestabs of the ILO. It was reviewed by Isabel Ortiz, Valérie Schmitt, Nuno S. M. Cunha and Loveleen De of the ILO.

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Trinidad and Tobago

Universal Pensions

Old-age protection in Trinidad and Tobago

Trinidad and Tobago's is ranked as a high human development category and positioned 64 according to the Human Development Index. While the country has performed creditably in the last decade, there was a decline in 2015 and future economic performance is being challenged. GDP growth and revenue mainly comes from the energy sector (oil and gas) and related companies and therefore the country is not immune to the challenges posed to oil-based economies.

The latest official poverty rate was 16.7 per cent (2005 Survey of Living Conditions), 1.2 per cent of the population was extremely poor (indigent) and 9 per cent were vulnerable to poverty. While the 2014 Survey of Living Conditions will disclose precise poverty figures preliminary findings have already pointed to an increase in the poverty rate. There is no official poverty line in Trinidad and Tobago. The 2011 Census indicated that the country had an ageing population. 58 per cent of older persons fell within the 60-69 age group and the age group of 80 years and over was also growing. The data further revealed the feminisation of ageing.

In Trinidad and Tobago, the Government play a major role in the social protection landscape. There is a very comprehensive suite of services for older persons aimed at managing the various risk associated with this cohort. Poor health, a major

Main lessons learned

At least in principle, the combination of the NIB pension and the SCP is considered to be universal. Anybody aged 65 and older is entitled to a benefit. Even if someone does not contribute sufficiently to qualify under the contributory scheme, the individual can rely on a SCP from age 65, provided compliance with some residency criteria.

Old-age pensions follow the right-based approach and are include in national Acts. Universal free health access and a wide range of services areavailable to old-age persons. Trinidad and Tobago is very well aligned with the provision of the Social Protection Floor for old-age persons which requires:

- access to a nationally defined set of goods and services, including essential health care, and
- basic income security, at least at a nationally defined minimum level, for older persons.

risk associated with older persons, is adequately addressed by the Ministry of Health (MoH).

Table 1. Population (in thousands)

	2010	2015	2020
TOTAL	1,328	1,360	1,378
60-64	55	65	75
65-69	42	49	58
70+	68	79	94
TOTAL 60+	165	193	227
60+ / TOTAL	12.4%	14.2%	16.5%

Source: United Nations, Department of Economic and Social Affairs, Population Division (2015).

1. What does the system look like?

The Social Protection System in Trinidad and Tobago has undergone significant modifications in the number and scope of services offered to older persons. Today, however, the system operates in very much the same, as it was in the earlier years, consisting of contributory and non-contributory schemes, including universal health access through public health facilitates. The social insurance and social assistance programmes continue to provide income security for older persons in Trinidad and Tobago. The National Insurance Board (NIB) administers the social insurance and the Social Welfare Division (SWD) of the Ministry of Social Development and Family Services (MSDFS), the social assistance programmes. There is also a wide range of services provided to old-age persons.

Universal access to free health care at health clinics and hospitals, as well as the provision of selected drugs at no cost are guaranteed under the Chronic Disease Assistance Programme (CDAP). The CDAP is managed by the Ministry of Health (MoH) and provides citizens with free prescription drugs and other pharmaceutical items to combat a number of diseases including: diabetes, cardiac diseases, arthritis, glaucoma, mental depression, high blood pressure, benign prostatic hyperplasia, hypercholesterolemia, Parkinson's disease and thyroid diseases. Where prescriptive medication is not available at the public health dispensary, such a service is available under the Ministry of Social Development and Family Services. Accessibility and coverage are not issues associated with the health care system as the public offerings are usually complemented by subsidized services from within the private sector when necessary.

Loneliness, one of the major risks for older persons, is managed through the Senior Centres Programme which was designed to bring older persons together so that they expand their social capital. The programme, which targets older persons who are in good health and physically active, is designed to provide the necessary physical, social, and mental stimulation and support mechanisms to enable older persons to optimize their later years. Centres are administered by NGOs and/or CBOs, with financial support from the Government. Elderly and Differently Abled Mobile (ELDAMO) provides free transportation to older persons to go about their daily routine. Free transportation on the public service transport system (bus rides; Ferry Trips to Tobago; and trips on Water taxis during non-peak hours) is also available to all older persons in Trinidad and Tobago.

Homelessness is another risk associated with growing old. The Homes for Older Persons Act provide oversight of Residential Homes for older persons as well as the regulation and monitoring of all facilities for older persons in Trinidad and Tobago. Housing opportunities are also available under the State, such as the Pensioners Quarters, as part of the support for older persons. Other subsidized housing programmes are also available to older persons.

The Geriatric Adolescent Partnership Programme and the Retirees Adolescent Partnership Programme bridge the generation gap and allow older persons to interact with younger persons and provide mutual support to each other. Older persons also benefit from a number of public programmes and aids such as: free transportation; caregiving services (means-tested service provided through the Geriatric Adolescent Partnership Programme). Several other means-tested programmes are available to older persons such as subsidies on annual water and electricity rates; public education; home improvement grant programme (aid for needy citizens whose houses were substandard, dilapidated, or in need of repair), house rental grants, household furniture and appliances, home care and assistive devices.

The OPIC was established by the

Table 2. Structure of the pension system

	SOCIAL PENSION	CONTRIBUTORY PENSION	HEALTH COVERAGE
INSTITUTIONS	MSDFS	Min Finance (supervision)	MoH CEDAP
BENEFITS	SCP Social services	Old-age pension Old-age grant Survivorship Invalidity	Health care Drugs
BENEFICIARIES	Aged 60or more Means tested	Employed persons Domestic workers	Universal

Ministry of Social Development and Family Services to serve as a referral facility for information on resources, services and products for older persons. Social programmes for older persons that treat with poor health, homelessness and loneliness continue to have relevance in Trinidad and Tobago. These are some of the social situations confronting older persons which Government seeks to address through various initiatives.

Benefit packages

The NIB retirement pension ispaid at age 60 to anyone who has been insured with a minimum of 750 weeks of contributions. A retirement grant in the form of a one-time lump sum payment is paid to those insured persons who have made less than 750 weekly contributions. The overall contribution rate is 13.2 per cent (4.4 per cent employees and 8.8 per cent employers) and the maximum insurable earning are TT$13,600.00 per month. Contributions are paid according to 16 wage classes. The self-employed are not covered under the NIB.

Table 3. NIB beneficiaries and expenditure

BENEFICIARIES	2013	2014	2015
LONG-TERM	132,253	137,481	144,804
SHORT-TERM	32,207	30,805	32,804
TOTAL	164,660	168,286	177,608
BENEFIT EXPENDITURE	TT$3.56 Bn	TT$3.92 Bn	TT$4.22 Bn

Source: National Insurance Board

The NIB pension is calculated based on the categories in which contributions have been paid. An average rate of contribution is calculated by considering all the contributions paid. The earnings class to which this average rate corresponds is the class in which the benefit will be paid. The minimum monthly pension is TT$3000 (approx. US$445), which represents 115 per cent of the minimum wage established at TT$2,600 (approx. US$388) per month. Current pensioners receiving the minimum pension represent 97 per cent of the total beneficiaries.

The SWD administers the Senior Citizens' Pension (SCP), (formerly Old Age Pension, in accordance with the Senior Citizens' Pension Act Chapter 32:02. The SCP is a monthly grant paid to persons aged 65 or more, based on their income and residential status. SCP recipients must be resident in Trinidad and Tobago for twenty (20) years preceding the date of application. Any periods of absence must not exceed five (5) years in the aggregate during the twenty (20) years preceding the application. Notwithstanding, SCP is paid to a person who is a resident and has spent a period of fifty (50) years in the aggregate in the country.

Table 4. Long term benefits (LTB), 2015

	Benef.	% of Total LTB	Expenditure Mn. TT$	% of Total expenditure
RETIREMENT PENSION	96,395	66.57	3,362.09	86.10
GRANT	4,568	3.15	139.15	3.56
*SURVIVORS BENEFIT	39,644	27.38	329.01	8.43
INVALIDITY PENSION	4,197	2.90	74.62	1.91
TOTAL	144,804	100%	3,904.87	100
% OF TOTAL BENEFICIARIES	81.53			

* Survivor benefit and grant - Source: National Insurance Board

As at September, 2016, 90,800 senior citizens were in receipt of the SCP. In 2015, 6,694 new beneficiaries were added to the system. Coverage has expanded significantly over the years. In 2001 just over 61,000 persons were receiving the Senior Citizens Pension. In 2000, the quantum of the grant stood at TT$620 and TT $720 per month. This has risen steadily over the years with the maximum SCP now being TT$3,500 per month with 74.21% of the recipients receiving this amount. The amount being paid is greater that the established poverty line and way above the indigence line. The sum when calculated also exceeds the established minimum wage for

Table 5. Senior Citizen's Pension, 2016

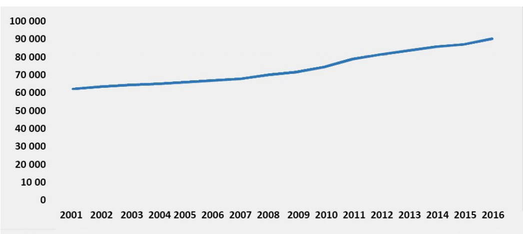
SENIOR INCOME		SENIOR CITIZENS' PENSION		BENEFICIARIES August 2016
TT$	US$	TT$	US$	
0-1,500.00	0 - 224	3,500	522	66,021
1,500.01 - 2000	225 –299	3,000	448	1,407
2,000.01 -2,500	300 –373	2,500	373	417
2500.01- 3,000	374 –448	2,000	299	19,342
3,000.01 - 3,500	449 –522	1,500	224	1339
3,500.01 - 4,000	523 –597	1,000	149	1129
4000.01 - 4,500	598 -672	500	75	303

Source: Social Welfare Division

the country. Where there are two persons living in the same household (husband and wife) who qualify for the SCP, they are guaranteed to have a minimum guaranteed household income of $7,000 and if they have other private income, they are likely to have an income of TT$10,000.

This steady increase in the amount of persons receiving the pension is as a result of successive administrations implementing responsive policy changes for this target group. Existing since 1939, Government has continuously enhanced the quantum

Figure 1. Beneficiaries



Source: Department of Social Welfare

and other criteria associated with this grant so as to make it more responsive to the needs of older persons. One of the major changes responsible for the increase coverage is the statutory income limit to qualify for a pension. Today, a person can have personal income of up to TT$4,500 and still qualify for a sum under the noncontributory SCP. Some of the changes made over the years are listed in Annex 1.

Financing

SCP programme is national in nature and is financed directly from the National Budget. The many changes made to the policy over the years, have resulted in a significant increase in the expenditure associated with the SCP. While in 2001 the expenditure was TT$548,368,305, in 2015 the expenditure was TT$2,647,056,180 (1.6% of GDP). For fiscal 2016/17 the sum allocated for this programme is TT$3,319,554,016. Already, it appears as though additional funds will be required. The evolution of the programme expenditure is described in Annex 2.

Legal aspects

NIB benefits are regulated by the National Insurance Act, updated to December 31st, 2014. The SCP is regulated by the Senior Citizens' Pension Act, updated to December 31st, 2014.

Two pieces of legislation continues guide the operations of the Social Welfare Division and the administration of the grants.-The Public Assistance Grant and the Senior Citizens' Pension.

a) The Public Assistance Act, Chapter 32:03 provides for the establishment of the Central and Local Public Assistance Boards to administer the Old Age Pension, Public Assistance, Disability Assistance and Urgent Temporary Assistance and for the maintenance of the various registers and accounting records in their districts.

b) The Central Public Assistance Board has responsibility for general policy guidance and considers appeals made in connection with any decisions made by the Local Public Assistance Board. The Local Boards enquire generally into the conditions of the poor and consider applications for Senior Citizens' Pension (Formerly Old Age Pension), Public Assistance and Disability Assistance Grants. The Central Board is comprised of eight members while the Local Public Assistance Boards have five members each. Members are appointed by Cabinet following nominations made by the Minister in accordance with Sections 4 and 8 of the Act.

Institutional arrangements for delivery

To receive the SCP, an application form must be submitted to the Local Board Office of the respective district. Applicants may be required to attend an assessment meeting with the Local Public Assistance Board, which decides on all applications. Persons whose applications have been rejected have the right to appeal. There are 11 Local Public Assistance Boards covering the country. As at September, 2016, 90,800 senior citizens were in receipt of the SCP. Of this total, **9,058** were new beneficiaries.

The SCP is paid via direct deposit into the person's personal bank accounts or by cheques mailed directly to persons' addresses. The Ministry launched a biometric card system in 2015 and this is expected to be the platform for the Central Beneficiary Registry. This system allows for enhanced identity verification and identity fraud reduction. Enrolment of persons commenced in July 2014.

2. How was this major breakthrough achieved?

The provision of welfare services dates back to the colonial era and was largely an effort of civil society organizations. The labour disturbances in the late 1930's marked the first official form of social assistance emanating from recommendations of the Moyne West India Commission. The Commission drew attention to the fact that it was essential to have a well-defined programme of social welfare and that the programme should be part of overall government policy. It was not until 1938 that the existing services were grouped together for more effective impact and control and in July 1939 the Department of Social Welfare was inaugurated to administer Social Assistance and Old Age Pension. In Trinidad and Tobago a 1989 PAHO publication titled: "A profile of the Elderly in Trinidad and Tobago" noted that the most important issues that confront older persons, 60 years and over, in their daily lives pertained to economic and health matters. The

PAHO study of 1989 also found that older persons that their basic needs were not being adequately met by their financial situation. The 1999 survey by Dr. Acton Camejo also found that older persons had concerns about their declining health and their ability to go on performing activities related to daily living. The Report contends that poverty has a relevant age dimension, in that, both needs and income potential change over the life cycle.

Upon retirement, older persons are now required to live on fixed incomes which constitute pensions and assets accumulated over their lifetimes. In many instances, older persons continue to function as the head of the household and their incomes present the only steady flow of resources for the support of large and extended families. The fact that persons in the age group sixteen to forty-five years, representing the productive workforce, are being significantly reduced suggests that older persons will be left to fend for themselves. In a survey carried out by Rawlins (2008) 33% of surveyed older persons felt lonely, despite only 16% are living alone.

3. What are the main results in terms of impact on people's lives?

Many of the challenges faced by older persons are related to their stage of development and are irreversible; as such the necessary support systems are required so that older persons can cope with the many risks associated with growing old. Another major risk associated with growing old is retirement / unemployment/ employability. A welldefined and functioning system of pension is available to manage the effects of such a risk. The pension system in Trinidad and Tobago is categorized in three layers with the first layer being the non-contributory Senior Citizens Pension for persons 65 years of age or older and whose income is below a certain threshold.The second and third layers are risk mitigating strategies in the form government mandate for social insurance and occupational pension. Occupational pension plans are also offered by some employers in the private sector, and public sector pensions are provided to all monthly-paid employees. A wide range of services provides support to old-age persons.

Impacts on people's lives

Pensions in Trinidad and Tobago have extensive coverage. The World Bank cited that Trinidad and Tobago has almost reached universal pension coverage. Their report cited that over 80% of persons 65 years and older are receiving the non-contributory pension while in the social insurance scheme administered by the National Insurance Board there is a 73% coverage of persons 60 years or older receiving long term benefits.

In terms of adequacy, the quantum of the various grants far exceeds the threshold that will be considered as poor. Additionally the system adopts a concept similar to that of the Social Protection Floor, a guaranteed base ($3,000 per month) complemented by benefits from other systems where older persons can invest and extend the scope, level and quality of benefits provided beyond this base.

4. What's next?

Trinidad and Tobago is under fiscal pressure because of the economic slowdown generated by the adverse international context and low oil and gas prices. Fiscal consolidation has started and public institutions are operating under reduced budgets (i.e. 7 per cent in 2015). This is likely to continue in light of the expected reduction of GDP of 2 per cent for 2016. Diversification of the economy is high on the political agenda to ensure long term economic growth and sustainability. Despite this adverse context, the Government is expected to increase budget allocations towards social infrastructure and programming by 1.2 per cent in 2016 vis-à-vis 2015.

Other challenges are related to the efficiency and effectiveness of existing programmes as well as to the right incentives that social programmes should provide. The MSDFS is fully implementing the Biometric Card System and establishing an integrated IT system. The objective of the system is to facilitate the modernisation and effective delivery of social services. The system would automate an re-engineer the MSDFS's core business processes, operational activities, business and program performance thereby providing an integrated approach to case management. It is expected that there would be a seamless administration of social services together with data and information collaboration among Government ministries and agencies. Other developments propose by the MSDFS are:

- Development of the National Plan of Action on Ageing for Trinidad and Tobago
- Development of Residential Long-Term Care Facilities in collaboration with Ministry of Health
- Revamp the Senior Citizens Bureau (i.e., Skills Bank and Placement Agency)
- Develop Omnibus Legislation to allow for entry and investigations into the living conditions of the elderly in their private domiciles
- Review of the National Policy on Ageing
- Assist in the formulation of the National Policy on the Family to address the elderly within the context of the family

- Establish age-friendly healthcare facilities
- Establish standards for universal accessibility to public buildings for the elderly and persons with disabilities
- Launch a Public Education Campaign on Ageing to include inter-generational initiatives
- Conduct public awareness campaigns to promote the CDAP, free bus, water taxi and ferry rides and free cataract surgery

The linkages between contributory and noncontributory schemes in the areas of the benefits design, administration, financing, delivery of services and administrative tools have to be reinforced. The NIB has to consider the implementation of social protection mechanisms for the self-employed and the unemployed. Such protection schemes will have a considerable effect in the long run in terms of reducing the number of social assistance benefits that would have to be paid in the future.

The results of the 2014 Survey of Living Conditions will provide invaluable information about poverty levels in Trinidad and Tobago, particularly in comparison to poverty levels previously registered in 2005. It will also allow for further analyzing the adequacy and coverage of old-age benefits.

This Universal Social Protection brief was produced by Vijay Gangapersad, Ministry of Social Development and Family Services of Trinidad and Tobago, and Ariel Pino of the ILO Port of Spain. It was reviewed by Isabel Ortiz of the ILO.

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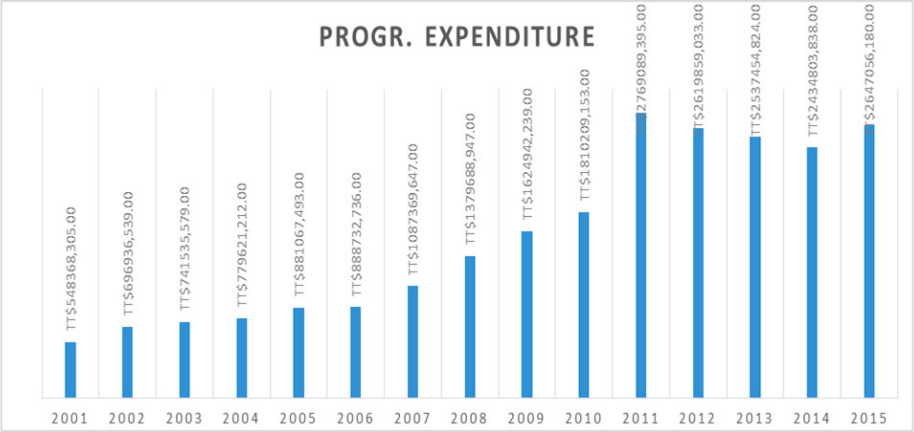
Annex 1

Table 1. Evolution of the SCP in recent years

Previous Provision	Changes	Remarks
Senior Citizens' Pension(Legislation)		
Senior Citizens' Grant	Senior Citizens' Pension	Allowed pensioners psychological comfort and peace of mind
TT$720-Maximum Payable (Yr-2000)	$3,500-Maximum Payable	Allowed greater purchasing power thereby improvement in the quality of life
Interest from Savings account was used as income, thereby denying persons who had savings	Interest from savings account is nolonger used in the calculation ofi ncome.	This new measure created an in-centive for older persons to save
Income calculated on an annual basis. This measure resulted in persons being denied pension where they received one-off payments that was in excess of a fixed amount even if they had no income.	Income calculated on a monthly basis	This measure allowed pension to be determined on real monthly income.
Statutory limit from as low as $5000 annually to $33,600.00 per annum. In the past assetwas also used.	New statutory limit of $4,500.00 per month.	Only real monthly income is used in the calculation of Senior Citizens Pension. More persons can now qualify for the SCP.
One-off/ lump sum payments used in the calculation of income. This prevented persons from qualifying for pension in the year payment was received.	In the calculation of Senior Citizens Pension lump sum payments shall not be taken into account.	This measure allowed persons to save rather than spend out their money before they can qualify for SCP
Persons must have resided in Trinidad and Tobago for 60 years in the aggregate in order to qualify for Senior Citizens Pension	Persons who reside an aggre-gate of 50 years in Trinidad and Tobago can receive pension.	This change benefitted citizens who were born in this country.
All periods spent out of the country used in the calculation of period abroad.	In the calculation of ordinary residence in Trinidad the following have been exempted: • Where the person was abroad for the purpose of employment for a firm registered in Trinidad and Tobago or a company incor-porated in Trinidad and Tobago. • Where the person was abroad in the service of the Government of Trinidad and Tobago It is to be noted that this also applies to a dependent of such a person.	Person who spent time abroad in the development of the country was penalized for being out of the country. This includes a number of persons who had to serve at Mis-sions or represent the country in sport or otherwise.

Annex 2

Table 1. SCP programme expenditure TT$



Source: Social Welfare Department

Table 2. Expenditure in selected social assistance programmes (TT$ and % of GDP)

COMMUNITY-BASED ENVIRONMENT PROTECTION & ENHANCEMENT PROGRAMME (CEPEP)	606,200,000 0.37%
DISABILITY ASSISTANCE GRANT(DAG)	379,506,550 0.23%
GOVERNMENT ASSISTANCE FOR TERTIARY EXPENSES (GATE)	712,000,000 0.43%
NATIONAL SCHOOLS DIETARY SERVICES LIMITED	250,000,000 0.15%
ON THE JOB TRAINING (OJT) PROGRAMME	308,000,000 0.19%
PUBLIC ASSISTANCE GRANT (PAG)	409,500,000 0.25%
SENIOR CITIZENS' PENSION (SCP)	2,861,470,500 1.73%
TARGET CONDITIONAL CASH TRANSFER PROGRAMME (FOOD SUPPORT PROGRAMME)	294,000,000 0.18%
UNEMPLOYMENT RELIEF PROGRAMME (URP)	717,500,000 0.43%
TOTAL	6,538,177,050 3.96%

Source: Social Sector Investment Programme 2016 – Central Bank

Ukraine

Universal old-age, disability and survivors pensions

The pension coverage in Ukraine is universal, based on a mandatory/ contributory system for employed and self-employed that includes old-age pensions, disability pensions, survivor's pensions, long service pensions and burial benefit. These social insurance mechanisms supplemented with social assistance are intended to cover all Ukrainian citizens.

As many of the former republics, Ukraine inherited from the USSR a social security system and has undergone enormous changes since its independence. Consecutive waves of reforms in 2003, 2010 and in 2014-2015 brought significant changes to the pension system, among which gradual increasing of retirement age, reduction of preferential pensions for special groups, introduction, then revision, of single social contribution and reduction of burden on employees and employers.

Social security system, including pension system is facing regular deficit. Undeclared and informal employment, wage arrears have notably been a regular problems that resulted in a lack in social security contribution based on

Main lessons learned

- Although Ukraine demonstrate the quasi-universal coverage of population based on its legal framework, the replacement rate is relatively low and small benefits are distributed to large part of population covering for pensions around 30 % of population. However, the effective coverage is lower due to the prevalence of the informal employment and undeclared work.

- The discussion is ongoing aiming to transform universal or categorical social benefits to means-tested benefits targeted to low-income families. However, more detailed analysis of the impact of these benefits on poverty reduction is necessary. The positive outcomes of introduction of targeted social assistance systems could be counterbalanced by negative features such as high administrative costs which can undermine the positive effect of more effective resources reallocation.

- The recent reforms in reduction of single social contribution was applied in order to reduce the informal employment and evasion of social security contributions. However the additional fiscal pressure on the State budget to cover the widening financial deficit could lead to additional cuts in benefit entitlements.

- Before considering the introduction of a mandatory funded pension tier, the Government and the social partners should examine the experiences of failure of similar reforms in countries in Central and Eastern Europe and in Latin America.

- In 2015, the Ukrainian Government initiated the process for ratifying the ILO Social Security (Minimum Standards) Convention, 1952 (No. 102), which was concluded on 16 March 2016, and initiated the process for signing the European Code of Social Security.

wages. Since the independence and especially during last three years, poverty represents a crucial issue specifically due to low income level of population. The minimum wage and the subsistence minimum as a key policy parameters linked to pension level were frozen since 2014 thus reducing the pensions in real terms in the period of high inflation and economic downturn.

Moreover Ukraine is facing a very problematic pattern depopulation due to decreasing birth rate when 15.9% of the population is above the age of 65, 21% above the age of 60.

1. What does the system look like?

The reform of pension system is under way in Ukraine as part of its austerity measures under the influence of IMF. The main characteristics of this system, although rapidly changing today, are as follow:

The main risks covered by contributory pension system include old-age, disability, survivors. These risks are supplemented by long service pensions and burial benefit. ***Social insurance mechanism*** is mandatory for all residents, and stateless persons employed under labour agreements or under civil law agreements, including those who work abroad and self-employed persons. It covers the ***labour pensions*** for those cleared minimum qualifying period. Those who are not qualified to receive labour pension are receiving ***social pension (social assistance).***

Some privilege-based pension schemes were widespread in Ukraine for specific categories of employees such as civil servants, legislators, judges, National Bank employees, diplomats, journalists, scientists, local governors, and victims of the Chernobyl disaster. However, since 2014 the reforms are under way in order to reduce the favorable provisions for these special groups and render their pension benefits in line with regular workers.

In addition, some other benefits can be taken into consideration such as the

Table 1. Overview of key social, economic and demographic indicators

Region	Europe & Central Asia
Income level	Lower middle income
Population (2016)	42.59 million
Annual population growth (2016)	↙ - 0.4%
Population above 65 years old (2016)	15. 9 %
Life expectancy at birth for women/ men (2015)	76 / 66 years old
HDI (2014)	0.74 [81/188]
Economically active population (2015)	18.1 million
GDP (WB/WDI, 2014)	131.8 billion US$
GDP growth (2014)	↙- 6.8%
Real GDP per employed person (in 1990 US$)	10,757.00 (2013)
Average level of old age pensions in relation to GDP per capita (excl. mean-tested) (2007):	21.5 %
GGNI per capita, PPP:	8 560 current int $
Minimum wage / substance minimum per month:	1074 hryvnia (2016)
Public social protection expenditure as a % of GDP:	24.6 (2013)
Public social protection expenditure on old age, disability and survivors as a % of GDP:	16 (2013)
Share of population above statutory pensionable age receiving an old age pension:	95%
Share of economically active population contributing to a pension scheme:	60.6 %
Share of unemployment population receiving regular periodic unemployment benefits:	73.7%
Average monthly earnings of employees (2013) (local currency)	3,265.00
Employment-population ratio (%) - 2014	56.58
Urban population (WB/WDI, 2012):	69%

Sources:
World Bank/ World Development Indicator (WB/WDI)
United-Nations Development Programme/
Human Development Indicator (UNDP/HDI)
State Statistics Service of Ukraine

caregiver's allowance paid to an unpaid caregiver of a person older than age 80 in need of constant attendance; social services for lonely elderly persons etc. Furthermore, like all the citizens of Ukraine, the elderly can benefit from targeted mean-tested social assistance for low-income families. Furthermore, non-contributory social benefits, such as maternity benefit, child benefits to single mothers play a major role in poverty reduction in Ukraine.

Coverage

The legal coverage of the Ukrainian social security system is almost universal (up to 95% of population above statutory pensionable age receiving an old age pension). However, the effective coverage is lower due to the prevalence of the informal employment and undeclared work.

Old-age pension covers: 60 years old men with at least 35 years of contribution history and 55 and six months years old women (women, gradually rising to age 60 up to 2021) with at least 30 years of contribution history. The period of contribution includes years spent in higher education, the armed services, caring for persons with disabilities or children younger than age 3, or being unemployed and seeking a job, if contributions are paid for these periods.

It is possible to get a ***partial pension*** for people who contributed during 15 to 34/29 years of coverage (for men/women).The pension is paid to unemployed older workers from ages 58/54 and 6 months to 60/55 and 6 months (men/women) (depending on the date of birth, gradually rising to age 60 in 2021). The pension ceases if the beneficiary is reemployed.

All pensions are paid monthly through bank and post offices. The pensions are payable abroad for six months in advance, beginning the month the pensioner leaves the country; thereafter, only if there is a reciprocal agreement.

Table 2 shows that between 2013 and 2016 the number of beneficiaries of pension schemes is reducing, but still remains around 29 % of overall population of the country. At the same time, the share of pensioners receiving the benefit equal or below minimum pension is increasing from 2.4 % in 2013 up to 7.7% in 2016. This is worsened by the high inflation and frozen indexation of pension benefits since 2014.

Table 2. Distribution of pensions, 2013-2016 (As of 1 January of each year)

	2013		2014		2015		2016	
	Share	Average pension (UAH)	Share	Average pension (UAH)	Share	Average pension (UAH)	Share	Average pension (UAH)
Below the minimum pension	1.0%	583	0.9%	587	0.8%	582	5.3%	932
Equal to the minimum pension	1.4%	894	3.1%	949	4.6%	949	2.4%	1,074
Above the minimum pension	97.6%	1,488	96.0%	1,554	94.6%	1,621	92.3%	1,761
Minimum pension (UAH/ month)	894		949		949		1, 074	
Total number of pensioners (persons)	13,639,739		13,533,308		12,147,189		12,312,459	

Sources: ILO (2016)

Benefits

The labour pension in Ukraine is calculated using following formula:

Monthly Pension (in UAH) = AS x cW x cQ

AS - Average salary in the Ukrainian economy during three years before retirement
cW – coefficient of wage of retiring person compared to average salary in the Ukrainian economy
cQ – coefficient of qualifying period (every working year can bring 1,35% of replacement income, with maximum of 75 %)

Due to the high inflation during 2014 and 2015 and the freeze of the subsistence minimum levels during 2014, the average subsistence minimum has lost nearly 40 percent of its value in real terms up to 2016. Indexation of pensions was also frozen. The approved 2016 State budget takes into account the planned increases in the subsistence minimum level for May and December 2016.

These labour pensions covering old-age, disability and survivor social risks are subject to minimum and maximum amounts. The Constitution of Ukraine (Article 46) and the Law on State Social Standards and Social Guarantees stipulate that the minimum wage and pensions and other social benefits must not be lower than the subsistence minimum established by law. Thus, ***minimum pension*** is related to minimum subsistence level for the persons who are incapable of work (elderly, peoples with disabilities). This minimum subsistence level (together with other minimum subsistence levels for children and able-bodied population) should be reconsidered every year based on basket of selected commodities and services. The ***maximum pension*** is 10 times the minimum pension.

Social pensions are paid to different vulnerable groups of population aged 63/59 (men/women, gradually rising to age 63 in 2021) who are not working and ineligible for an old-age pension. The amount of these social pensions is related to minimum subsistence level for the persons who are incapable of work. Social pension for old age varies from 30% to 100% of this minimum subsistence level. If the social pension is less than the minimum subsistence level for the persons who are incapable of work (1074 UAH /month in the beginning of 2016), old people can get a social pension supplement to fill the gap.

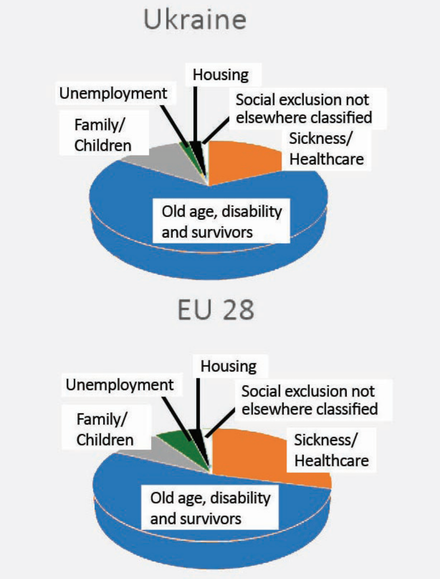
To encourage older workers to remain in the workforce, the old-age pension is increased for workers by 0.5% for every additional month of coverage if the pension is deferred up to 60 months after normal retirement age; 0.75% for every additional month of coverage for more than 60 months.

According to current rules, the replacement rate is set at 45-50 % of the average individual wage for the best five or last two years for men and women (having accomplished the required length of service), with 1 percent increase for each year of additional work up to a maximum of 75 percent of the average individual wage.

Financing

According to ESSPROS methodology[1], the total social security expenditure of Ukraine in 2013 was estimated at 24.6 % of GDP which is higher than in any of the new EU countries neighbouring Ukraine. However, this indicator is close to the average in EU 28 (28.6% of GDP). Expenditure on old-age, disability and survivors' benefits dominate the Ukrainian social security expenditure with 16 % of GDP, or nearly two-thirds of the total. This

Figure 1. Social security expenditure by type, Ukraine and EU 28 (2013)



[1] European Integrated System of Social Protection Statistics developed by EUROSTAT and applied by the State Statistics Service of Ukraine

rate is seriously higher than in EU 28. Drastic changes were introduced in 2016 in social protection financing mechanisms. Single social contribution which represents a consolidated contribution rate to finance all social insurance schemes in Ukraine was significantly reduced. After its introduction in 2011, employers' contribution rate was between 36.76 % and 49.7 %, depending on the assessed risk of occupational accident and disease, while employees' contribution rate was 3.6 %. In 2016, the single social contribution rate for employers was reduced to 22 %, and the contribution from workers was abolished (see Table 3).

Table 3. Changes in single social contribution rates in 2016

Categories	2011-2015	2016
Employers	36.76% to 49.7%,	22%
Entrepreneurs working on civil contracts and self-employed persons	34.7%	22%
Budgetary institutions	36.3%	22%
Employees	3.6%	0%
Physical persons working under civil contracts	2.6%	0%
Civil servants	6.1%	0%

Sources: ILO (2016)

This measure was introduced based on the hypothesis that the reduced contribution rate would reduce the incentive of social security contribution evasion, widen the tax base and results in positive fiscal effects. However, preliminary observations show that the total contribution revenue will decrease, specifically affecting the pension system through the significantly reduced allocation rate.

Pensions and benefits were tax exempt in Ukraine up to 2015. Since then, pensions above certain thresholds are taxed. Income from old-age pensions between three and ten times the minimum wage is subject to a 15 percent personal income tax and a 1.5 percent military duties tax.

Institutional arrangements

Ministry of Social Policy (http://www.mlsp.gov.ua) is responsible for policy and provides general coordination. Regional and loca-l social protection departments administer the program.

The Pension Fund manages/administers autonomously the pension scheme/pensions. (http://www.pfu.gov.ua/pfu/control/uk/ index).

2. How was this achieved?

During the soviet era the full employment and pay-as-you go system guaranteed a quasi-full coverage of population for three main risks: old-age, disability and survivors. After the transition to market economy the important challenge was to integrate the population of informal sector and self-employed persons as well as combating informal employment.

The Constitution of 1996 as well as specific laws on social security benefits have established the right to social security in Ukraine. Three major waves of reforms were implemented in 2003 (tentative for introduction of multi-pillar system), in 2011 (gradual increasing of retirement age) and in 2014-2015 (reduction of single social contribution rate and reduction of preferential pensions for special groups).

A reform conducted in **2003** with the adoption of the Law of Ukraine "On mandatory State Pension Insurance" was intended to rebuild the Ukrainian pension system. This law created a ***legal framework for multi-pillar system***, including:

- a modified pay-as-you-go (PAYG) program;
- a mandatory state pension insurance (or mandatory individual accounts) = second-pillar with a contribution of employees;
- voluntary individual accounts = third-pillar ('Non-State Pension Provision') based on a tax relief (15 % of the gross yearly wage).

However, the ***real implementation of that new system has been postponed indefinitely*** due to lake of support from population and social partners.

The second wave of reforms started in ***2011*** by ***increase of the retirement age for women from 55 to 60 years by 2021***. This measure equalised the retirement age for men and women. The reform also increased the contribution period required for the partial pension from 10 to 15 years for both sexes and increased the number of contribution years required to receive a full pension (to 35 years for men and 30 years for women). A ***maximum pension*** equaling ten times the minimum pension has been introduced for newly-granted pensions. Furthermore, since 2011, ***single social contribution*** (a consolidated contribution rate) has been collected to finance all social insurance benefits in Ukraine.

The reform measures implemented in 2014 and 2015 were axed on the reduction of favourable provisions for special groups. Furthermore, the reduction of pension benefit was introduced for all the other groups of working pensioners who receive pensions higher than 150 percent of the subsistence minimum for pensioners. In 2016, the single social contribution rate for employers was reduced to 22 percent, and the contribution from workers was abolished.

In 2015, the Ukrainian Government initiated the process for ratifying the ***ILO Social Security (Minimum Standards) Convention, 1952 (No. 102)***, which was concluded on 16 March 2016, and initiated the process for signing the European Code of Social Security.

3. What are the main results in terms of impact on people's lives?

Although the majority of population is covered by the pension schemes, the level of replacement payment remains rather low. This low level of pensions can be explained by the widespread declaration of workers on minimum wage in order to reduce the social protection contributions and taxes. This situation is resulted in the replacement only for officially declared wage and the low level of pensions.

The numerous pension reforms were unpopular because the Government has failed to organize a genuine dialogue with population involving social partners. However the level of deficit of the Pension Fund was important and the efforts for gaining an equilibrium were necessary.

Another problem represents the direct energy subsidies. The households, and especially those composed of the elderly peoples were granted with subsidized prices for these commodities. The government has carried out the reform of energy subsidies under the pressure of IMF because these subsidies have concerned not only vulnerable layers of population, but the industry as well. The reform of 2016 has unified household and commercial natural gas tariffs. Although there is no evidence based research yet, the impact of this reform on the wealth of elderly population seems to be important.

This Universal Social Protection brief was produced by Clara Leymonie and Andrei Tretyak of Expertise France. It was reviewed by Isabel Ortiz, Kenichi Hirose and Loveleen De of the ILO.

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Zanzibar

The universal Pension Scheme

Main lessons learned

- The scheme shows that universal social protection for older persons is feasible, and can be financed by governments of low and middle income countries.
- A combination of advocacy to build the political will of the government as well as the provision of technical support in relation to programme design has been important to successfully implement the scheme.
- The government is currently working to address remaining challenges relating to payment, verification and information management system.

Zanzibar Universal Pension Scheme (ZUPS)

Zanzibar made history in April 2016 when it implemented the Zanzibar Universal Pension Scheme (ZUPS). This is the first social pension scheme in East Africa to be fully financed by the Government.

In 2014, the Revolutionary Government of Zanzibar approved a Social Protection Policy that recognizes the need to establish a universal non-contributory pension to address poverty. This policy sits within Zanzibar's Vision 2020, which has the objective of eradicating absolute poverty in the society. In March 2015, the government announced it would introduce a universal pension as part of the 2015/16 budget, and the first payment was made in April 2016.[1] All Zanzibar citizens over the age of 70, or other residents who pass the age and residency criteria receive a monthly non-contributory pension of Tsh 20,000 (US$9). The pension is pegged to the consumer price index as of April 2016.

[1] Yussuf, I. (2015) Tanzania: Isles unveils 830 billion donor-weaning budget. Available at: http://allafrica.com/stories/201505140993.html

Overview of the pension system

Pre July 1998, former civilian employees received a pension under the Pensions Act No.2 of 1990. Post 1998, former employees of the public and private sectors received a pension from the Zanzibar Social Security Fund (ZSSF) for service after July 1998. However, the fact that the majority of older people have never been in the formal labour market means that few receive a pension from this fund.[2]

[2] Economic and Social Research Foundation and HelpAge International (2016). Baseline Survey Zanzibar Universal Social Protection For Older People (Forthcoming).

Eligibility Criteria

An older person can apply for the universal pension when he/she is:

- A person 70 years of age and above; and
- A Zanzibar resident; or
- Has been a resident of Zanzibar for over 10 years continuously after the age of 18.

Documents required for registration

- Completed application form
- A recent passport size photo of the applicant
- Birth certificates or Zanzibar ID card/birth certificate
- Proof of period of residency (in the case of non-Zanzibari)
- (For applicants that cannot present themselves for registration)
- Affidavit / A letter or representative form signed by the applicant stating that he or she agrees on representation by the specified person.

Applicant Representative

If an applicant is unable to present himself or herself in person, he or she can appoint another person to apply in his or her place. People who are entitled to represent an applicant being one of the following people:

- Husband or wife
- Son or daughter
- Grandson or granddaughter
- Son or daughter in law
- A close neighbour if a family member is not available.

1. Why was the Pension needed?

The low number of people eligible for contributory pension, coupled with the high level of informality and poverty in Zanzibar, created the need for an alternative way to guarantee income security in old age. Close to a third of the population (30 per cent) live below the basic need poverty line, a high proportion of older people do not have the option to get out of hard and strenuous employment, and many of them have additional health and mobility issues.[3] Preliminary results from a baseline survey conducted before the pension started found that 79 per cent of older people over 70 years considered their economic situation to be worse than average. The survey also found that 63 per cent were receiving income from family members, suggesting the challenges of old age is putting pressure on wider families that are also struggling with poverty and insecurity.[4]

[3] Daniel, S. (2015) SOCIEUX in Action. Available at: https://ec.europa.eu/europeaid/sites/devco/files/socieux-newsletter-issue3-july-2015_en.pdf

[4] Economic and Social Research Foundation and HelpAge International (2016). Baseline Survey Zanzibar Universal Social Protection For Older People (Forthcoming).

2. How was this achieved?

The introduction of the pension was possible due to a combination of advocacy to build the political will for the scheme, and technical support to answer key questions relating to the scheme's design and implementation.

The move in Zanzibar has been linked to a wider advocacy effort towards a universal pension in Tanzania as a whole. Important inspiration for this has been the positive experience of a pilot social pension in place since 2003 implemented by the Kwa Wazee NGO in North West Tanzania. Two evaluations in 2008 and 2014 provided evidence on the impact of pensions on older people and their families.[5][6] The scheme also provided evidence to advocate for national ownership and scale up of the programme. This was complemented by evidence generated by situational assessment[7] of older people, a feasibility study of a social pension[8] on mainland Tanzania and a review of social protection expenditure and performance in relation to poverty alleviation.[9]

A detailed Implementation Plan as well as a Standard Operations Procedures Manual also helped to answer technical questions on the design of the scheme.[10]

A central component of the advocacy was persistent activities led by older people in both Zanzibar and Tanzania mainland. The advocacy aimed to influence political will of key political parties. This was done through various means like identifying political champions to raise issues when in parliament, as well as creating awareness through the media and older people's campaigns. Older people were made aware of their social security rights to enable them effectively demand for these rights. Older people's champions were also identified to advocate, and engage with the political process at local and national levels.

The Benefit: Key indicators

Adequacy

The benefit level of Tsh 20,000 is admittedly modest, and on its own cannot lift older people out of poverty.

[5] Hofmann, S. and Heslop, M. (2014) 'Towards universal pensions in Tanzania Evidence on opportunities and challenges from a remote area, Ngenge ward, Kagera'. Available at: http://www.pension-watch.net/knowledge-centre/?guid=530dc17d73c9a&order=n

[6] Hofmann, S. et al(2008) 'Salt, Soap and Shoes for School: Evaluation Report'. Available at: http://www.pension-watch.net/knowledge-centre/?guid=4fb0d2ecb389a&order=n

[7] Pearson, A. (2009) Social protection policy: Responses to older people's needs in Zanzibar. Available at: http://www.pension-watch.net/knowledge-centre/?guid=4cd9be19d5144&order=n

[8] Daniel, S., et al (2010) Achieving income security in old age for all Tanzanians. Available at: http://www.pension-watch.net/knowledge-centre/?guid=4cd9c14151bb5&order=n

[9] International Labour Organization (2010) Zanzibar. Social protection expenditure and performance review and social budget. Available at: http://www.ilo.org/secsoc/information-resources/publications-and-tools/social-protection-expenditure/WCMS_SECSOC_16253/lang--en/index.htm

[10] Technical support for this was provided by a partnership between SOCIEUX (the EU's technical support facility on social protection) and HelpAge.

The benefit is equal to about half the food poverty line (Tsh 38,070) and 37 per cent of the basic needs poverty line (Tsh 53,377) as defined by the HBS in 2014/15.1[11] The scheme is also equal to about 1 PPP$ (international dollars) per day, making it roughly half of the new international poverty line set at PPP$ 1.90 per day.[12]
International comparison, nevertheless, suggests the benefit level is reasonable for a low income country taking first steps to expand a universal pension. At 12 per cent of average income (GDP per capita)[13], the benefit is higher than social pensions in countries such as Botswana and Swaziland, and not far below the regional average (17 per cent). The benefit is therefore likely to make a substantial difference to older people and their families, particularly those living below or close to the poverty line.

Coverage

In 2012, the Population and Housing Census estimated the number of older people aged 70+ in Zanzibar to be 25,161.[14] In May 2016, 21,750 people received the Universal Pension. This suggests that approximately 86 per cent of the targeted population have been reached. One of the main reasons for the remaining coverage gap is lack of awareness of the scheme, and the baseline survey found that 25 per cent of older people 70 years and over were still unaware of the scheme.[15] To tackle this challenge, the Shehias, District Officers and the Department for Social Welfare have continued sensitization campaigns to inform communities on the universal pension scheme benefits which has led to an increase in the numbers of registrations.
Looking to the future, it is recognised that the age of eligibility of 70 years is not optimal for a country with relatively low life expectancy. There is talk of plans to reduce the eligibility age to the legal retirement age of 60, which will mean coverage for about 60,000 older men and women. However the strategy for this has not been officially confirmed.

Financing

The Zanzibar social pension is the first universal cash transfer in East Africa fully funded by the government. The government has allocated 6.5 billion Tanzanian Shillings for the implementation of the scheme, which is approximately 0.24 per cent of the GDP of Zanzibar. This makes

[11] Household Budget Survey 2014/15 Income and Income Poverty Preliminary Results. Available at: owww.ocgs.go.tz

[12] Authors' calculations using PPP$ conversation rates for Tanzania using International Monetary Fund, World Economic Outlook Database, April 2016.

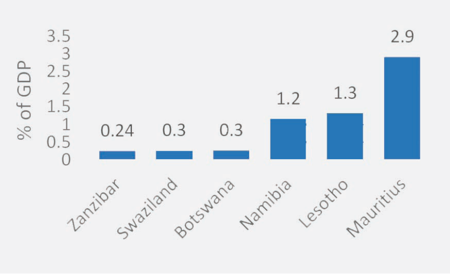
[13] GDP per capita is for Tanzania.

[14] 2012 Population and Housing Census (PHC) by Age and Sex (2013). Available at: countrystat.org/country/TZA/contents/docs/Population%20Distribution%20by%20Age%20and%20Sex%20Report-2012PHC.pdf

[15] Economic and Social Research Foundation and HelpAge International (2016). Baseline Survey Zanzibar Universal Social Protection For Older People (Forthcoming).

the scheme the cheapest universal pension in Africa, with a cost slightly below Swaziland and Botswana, and significantly below Namibia, Lesotho and Mauritius which spend between 1.2 and 2.9 per cent of GDP.

Figure 1. Cost of universal pensions in Africa



The scheme is financed from the National Budget and directly disbursed through the Ministry responsible for the elderly. This ensures that the budget is only spent on the pension.

In order to sustain the expenditure on the universal pension, the government of Zanzibar will need to factor the scheme in its wider efforts to secure sustainable revenue for the wider government budget. Nevertheless, the modest expenditure should not be difficult to accommodate, and focus should rather be on gradually increasing expenditure, in order to increase adequacy and coverage of the scheme.

Legal aspect

The Zanzibar social pension is not entrenched in any legal framework. However, a Law on Older Persons is currently under discussion that will establish an Older Persons Council, and recognize among other things, social pension as a right of older people.

Embedding cash transfers in legal framework is beneficial as it provides a benchmark through which citizens can advocate for the fulfilment of the right to social security. There is also a reduced likelihood of political changes jeopardizing the continuity of social cash transfers when it is entrenched in clear and effective legal and institutional frameworks.

Institutional arrangements

The Ministry of Empowerment, Social Welfare, Youth, Women and Children is responsible for overseeing the overall implementation of the pension scheme. The implementation is operationalized through local structures called the Shehias. Citizens aged 70+ are eligible to register with an identity document or birth certificate that provides proof of age and residency. Older people without a valid form of ID can request for a letter of confirmation from the district commissioner. Payment is currently only disbursed through direct cash payments from pay points, with plans to include mobile money and bank accounts in the future.

Challenges

The government is currently working to address remaining challenges relating to implementation. One of such challenges is the lack of a robust management information system and adequate verification mechanisms. This means there is a missed opportunity to generate routine data that can be used tochallenges relating to implementation. The decentralisation of functions and reliance on direct cash payments also presents potential fiduciary risks. The ZUPS is currently disbursed by civil servants from various government ministries, and although the government insists that this is a cost saving mechanism, it could be potentially time consuming.

Impacts

HelpAge is undertaking a baseline survey with the Economic and Social Research Foundation of Tanzania to provide a benchmark against which impacts of the pension can be measured.

Although it is too early to quantify the impacts of the universal pension, there has already been some feedback from some of the recipients.

An example is Ahmed Mohamed, a widower aged 97. Old age and poor health has limited his ability to continue subsistence farming to feed himself. In a recent interview, Ahmed discussed the initial benefit of the pension scheme.

Ahmed Mohamed (C)

"Some passers-by throw some coins at me which I use to buy food and drugs to treat my regular chest pains. Once in a while some of my neighbours bring me food, however, there are times when I live on an empty stomach for days". "But now I am very happy that the Government has decided to give us a monthly pension of 20 thousand shillings ($9). This is enough money for my needs. I really thank the Government for this special consideration, as it is my only reliable source of income. I will surely live happier in the remaining days of my life"[16]

Next steps

The government is already in consultation with the largest mobile provider in the country to facilitate efforts to gradually phase out cash payments and improve the delivery of the pension. The Government is also in the process of piloting a monitoring system based on a structure of Older Person's Associations and Older Person's Monitoring Groups.

[16] Interview conducted in April 2016 during the official launch of the universal pension in Zanzibar.

There is already a ripple effect on the main land with older people also advocating for a universal pension. The Tanzanian Ministry of Labour have recently shared a proposed scheme for universal pension which has been proposed to combine older person's pension with a disability allowance. Other key areas to look at are the approval and implementation of the Law on Older Persons that will guarantee the rights of older people, as well as the building of effective monitoring and evaluation system to assist in citizen monitoring.

This Universal Social Protection brief was produced by Aderonke Gbadamosi and Charles Knox-Vydmanov of HelpAge International, with contributions from Smart Daniel and Leonard Ndamgoba of HelpAge International Tanzania. It was reviewed by Isabel Ortiz and Loveleen De of the ILO, and Alexa Haden and Adélio Fernandes Antunes of SOCIEUX.

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Developmental impacts of expanding social protection

Universal social protection key to achieve the Sustainable Development Goals

"Social protection systems and measures for all" figure highly among the priorities set out by the international community inside the Sustainable Development Goals (SDGs). Ensuring necessary investments in social protection expansion will help member states make good on this commitment, but also many others included in the 2030 agenda.

Universal social protection is likely to advance progress on a host of SDGs, including on reducing poverty and inequalities, the promotion of decent work, inclusive growth, and improvements to health and education outcomes. These cross-cutting developmental impacts are illustrated in an expansive and growing body of literature. Evidence from this research is synthesized and presented in this brief to show how investments in social protection contribute to more productive, prosperous and equitable societies.

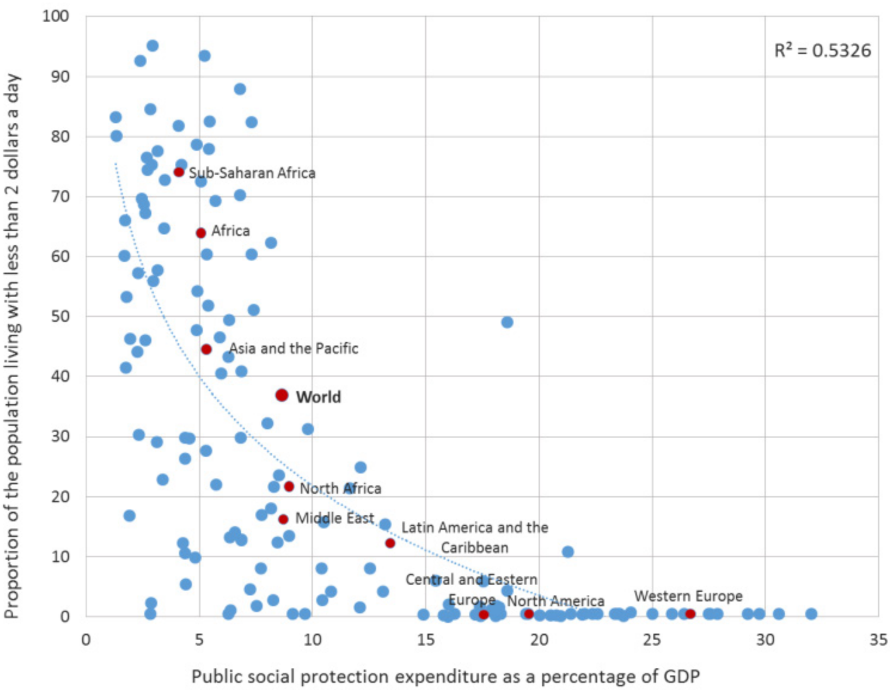
Social protection floors reduce poverty and inequalities

Social protection reduces poverty and social exclusion

Social protection is a crucial instrument in addressing all forms of poverty. Cash transfer schemes have successfully reduced poverty in Africa, Asia, Central and Eastern Europe, and Latin America, potentially delivering much faster results than those expected from the "trickle-down" effects of economic policies. Although in practice benefits have tended to be lower than needed, a cash transfer at an adequate level can bring people out of poverty overnight. Equally importantly, cash transfers have had even larger effects on reducing the depth of poverty. For example, South Africa's non-contributory grants have reduced the poverty gap by more than one-third (Woolard et al., 2010), the Oportunidades programme in Mexico has reduced the numbers living in poverty by 10 per cent and the poverty gap by 30 per cent (Skoufias and Parker, 2001), and Kyrgyzstan's Social Protection Programme has reduced the numbers in extreme poverty by 24 per cent and the poverty gap among beneficiaries by 42 per cent (World Bank, 2003). The expansion of food assistance in the United States is reported to have reduced the number of households in extreme poverty by half (CBPP, 2014). Overall, social transfers and taxation have reduced poverty by more than 50 per cent in most European countries.

Social protection expenditure has a prominent role in reducing and preventing poverty, containing inequality and addressing social exclusion. Particularly crucial is its capacity to ensure that people can escape poverty for good: the risk of falling back into poverty is very high where effective social protection mechanisms do not exist (Chronic Poverty Advisory Network, 2014). Social protection is essential in addressing not only monetary poverty but also social exclusion (Babajanian and Hagen-Zanker, 2012). Indeed, social protection constitutes one of the essential channels through which governments can distribute and redistribute income and resources, and share the benefits of growth, reinforcing the democratic mandates granted them on election to fulfil societal expectations. The key role of social protection in inclusive growth is now widely recognized (e.g. OECD,

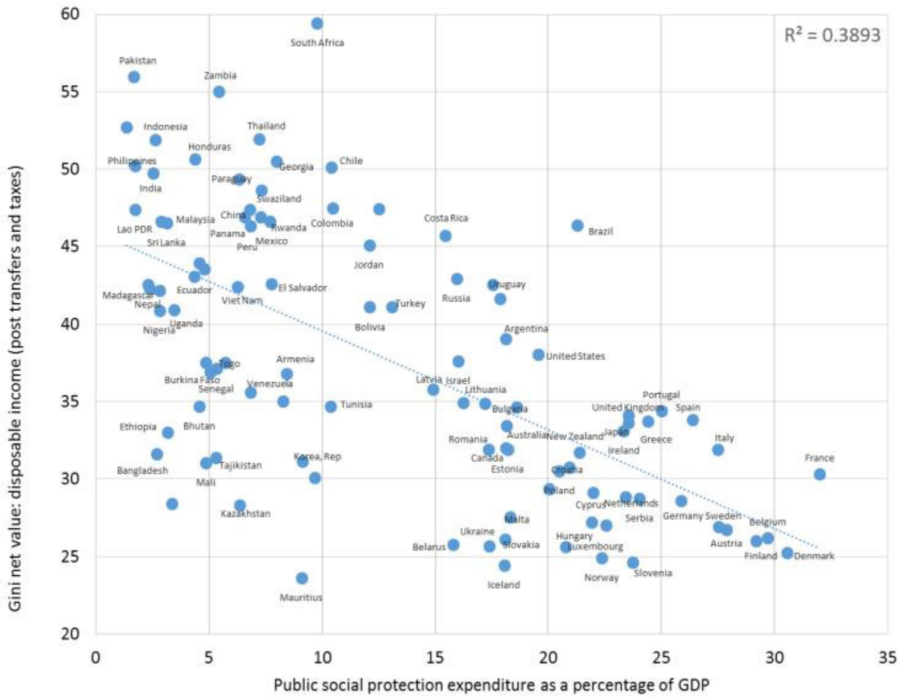
Figure 1. Social protection expenditure (percentage of GDP) and proportion of the population in poverty



Notes: $R^2 = 0.5326$.

Sources: Social protection expenditure: Based on data from IMF, OECD, Eurostat, ILO, CEPALSTAT, ADB and national sources. Poverty headcount: World Bank, World Development Indicators (accessed April 2013).

Figure 2. Social protection expenditure (per cent of GDP) and income equality (Gini coefficient), latest year



Note: $R^2 = 0.3893$.
Source: Social protection expenditure: based on data from IMF, OECD, Eurostat, ILO, CEPALSTAT, ADB and national sources. Gini index: World Bank, World Development Indicators (accessed Jan. 2014); ADB, UN ECLAC; Solt, 2009; Solt, 2013).

2009). It is therefore not surprising that higher levels of social protection expenditure are associated with lower levels of poverty (Figure 1).[1]

[1] The relationship between public social security expenditures and poverty outcomes is complex, involving a variety of factors. It should be noted in particular that US$2 PPP per day does not represent a meaningful absolute poverty line in high-income countries; this cut-off point was selected for the purpose of the graph to ensure international comparability.

Social protection reduces income inequality

The role of social protection reaches far beyond a mere reduction of income poverty. While debate has for some time focused narrowly on poverty reduction and the efficiency of targeting, it is increasingly acknowledged that the reduction of poverty is not sufficient to promote inclusive growth (UNDP, 2013; UN, 2013a; UN, 2013b). Broader social protection policies encompassing approaches such as extending social insurance are needed to help prevent poverty and insecurity and to contain inequality (Figure 2).[2] The correlation between public social protection expenditure and inequality (as expressed by the Gini coefficient) is less strong than for poverty, but there is still a distinct relationship, suggesting that higher levels of social protection expenditure are associated with lower levels of inequality.

Social protection contributes to human capital development, reduces hunger and contributes to food security

There is strong evidence of the positive impacts of social protection on hunger and nutrition. In Africa, Asia and Latin America, cash transfers have been shown to improve both the quantity and the diversity of food consumption, and to protect food consumption during shocks or lean periods. Better nutrition also contributes to better physical development: programmes in Mexico, Malawi, and Colombia all demonstrate reductions in the numbers of children with stunted growth (Yablonski and O'Donnell, 2009; Tirivayi, Knowles and Davis, 2013), while children in South African households receiving a pension grow on average five centimeters taller than those in households without a pension (Case, 2001).

Social protection supports positive education outcomes

Social protection programmes, including cash transfers, the supply of free tuition and materials, and school feeding programmes, have all been shown to lead to higher school enrolment rates, fewer school drop-outs and less child labour by removing demand-side barriers to education, including the need for poor families to rely on children for income-earning and care work. Transfer programmes in Bangladesh, Brazil, Cambodia, Ecuador, Ethiopia, Malawi, Mexico, Nicaragua, Pakistan, South Africa, and Turkey have all demonstrated significant increases in children's school enrolment and/or attendance (Adato and Bassett, 2008).

Social protection supports positive health outcomes

Social protection can contribute to better and more equal health outcomes in various ways. Investments in health infrastructure, staff and drugs are most urgently needed where the burden of illness is heaviest. Financial support is also needed to prevent families falling into poverty because of heavy out-of-pocket health expenditures. A WHO cross-country study showed

[2] Again, the relationship between social protection policies (measured here by expenditure) and inequality (here measured by Gini coefficient) is much more complex than can be captured here. Well-designed social protection policies address not only income inequality, but also various other dimensions of inequality (see e.g. UNRISD, 2010; OECD, 2011; UNDP 2014).

this can be done by reducing the health system's reliance on out-of-pocket payments and providing more financial risk protection (Xu, Evans and Kawabata, 2003). Thailand's commitment to achieving universal access to health care led to significant improvements in health outcomes on a number of measures, including take-up of services and the rate of health-related impoverishment (Evans et al., 2012; Tangcharoensathien et al., 2009).

The Oportunidades programme in Mexico combined cash transfers and free health services with improvements in the supply of health services, leading to a 17 per cent decline in rural infant mortality over a three-year period and an 11 per cent reduction in maternal mortality rates (Barham, 2010; Adato and Bassett, 2008). In Ghana, user fee exemptions for pregnant women led to a significant reduction in the maternal mortality rate (Witter et al., 2007).

More recently, there is evidence on the usefulness of broader social protection interventions in HIV and AIDS prevention, treatment, and care and support (ILO, 2008; Temin, 2010). Cash transfers, for example, were found effective in supporting families to care for people living with HIV/AIDS and in improving access to treatment and adherence.

Social protection floors promote decent employment and inclusive growth

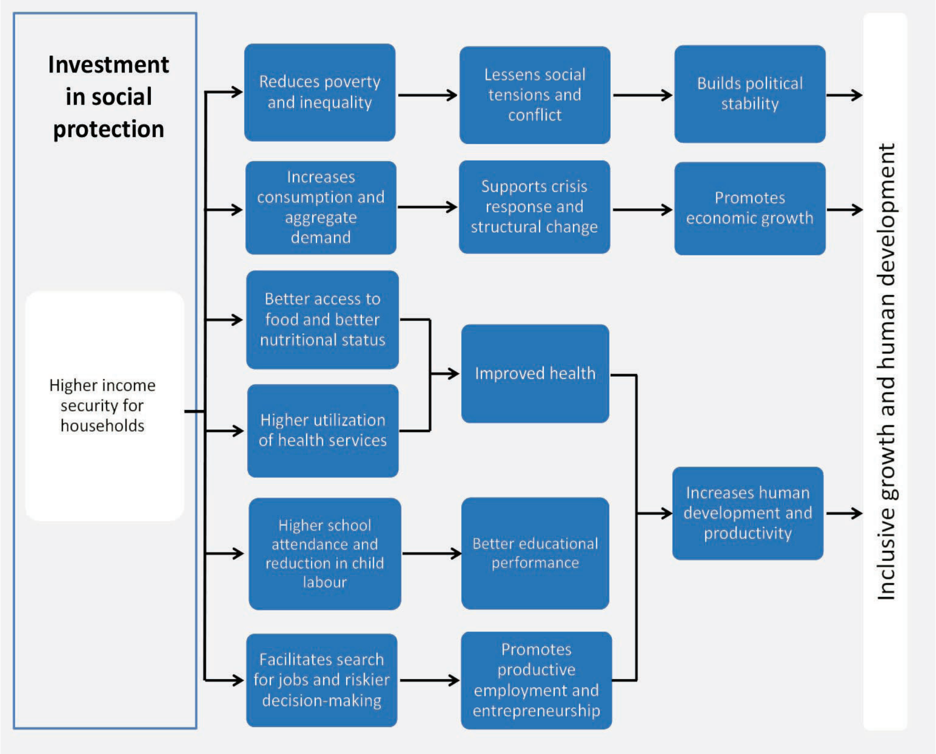
Social protection promotes employment

Social protection plays a major role in creating access to full and productive employment and decent work for all, including women and young people, through cash transfers, active labour market measures, health insurance and family support policies. These have been shown to encourage labour market participation in low- and middle-income countries by guaranteeing public work opportunities, covering the costs of jobseeking and supporting those with child-care responsibilities – with particularly strong effects for women. In South Africa, labour market participation among those receiving cash transfers was 13–17 per cent higher than in similar non-recipient households, with the greatest difference among women (Economic Policy Research Institute, 2004). For young people who are structurally unemployed or at high social risk, the Joven programme in Chile combines work experience, training and apprenticeships, and this model has been replicated in other South American countries (World Bank, 2003).

In other countries, such as India and Uganda, cash transfers have been used to provide employment for local youth and poor people. Cash transfers can also provide critical resources for funding jobsearch, supporting quality training and skills development, increasing access to credit and bolstering the resilience of agricultural smallholders in maintaining production. Public employment programmes can also be linked to green jobs and environmental improvements, as for example in Brazil and the Philippines. A recent study from the United States indicates that giving food assistance to the children of poor families increases their average annual earnings in the long run by as much as US$3,000, and their average number of hours of work by 150 annually (CBPP, 2014).

Many countries in Asia, Africa and Latin America have developed ways of coordinating social protection mechanisms with labour market policies and services, thereby strengthening opportunities for the unemployed to return to the market. One particularly interesting finding is that adult participants in a number of the Latin American cash transfer programmes mentioned above, as well as beneficiaries of similar schemes in South Africa, could increase their rate of economic activity, finding their

Figure 3. Positive impacts of the extension of social protection on inclusive growth



Source: Based on Behrendt, 2013; ILO, 2014 employability boosted through simple investments in and access to training and employment services, and able to look for work more effectively with the costs of searching for jobs boosted through the modest cash transfers received by families.

Social protection promotes economic growth

Social protection schemes contribute to sustainable economic growth by raising labour productivity and empowering people to find decent jobs. Injecting money into rural communities can have important multiplier effects on the local economy, stimulating trade in goods and services and encouraging more dynamic local development based on both agricultural and off-farm activities (Tirivayi, Knowles and Davis, 2013; Alderman and Yemtsov, 2012). Social protection represents an investment in a country's "human infrastructure" no less important than investments in its physical infrastructure. Only a population that is healthy, well nourished and well educated can realize its potential for productive employment. The positive impacts of cash transfers on children's nutrition, and on access to health and education, have been well recorded around the world. Well-designed social protection systems thus enable a country to unlock its full productive potential and to promote inclusive growth.

There are multiple channels through which social protection systems can support such investments in people (see ILO, 2010; Social Protection Floor Advisory Group, 2011; Behrendt, 2013), with beneficial effects in both the short and the longer term. In the short term, social protection can help to improve the health of the population, stabilize aggregate consumption, enable people to take more risky decisions and to engage in more productive economic activities, preserve and promote human capital and enhance the functioning of the labour market. It thereby contributes to supporting structural changes in the labour market and the economy, and also exercises its much-needed counter-cyclical function in economic downturns, such as that caused by the recent global crisis.

In the longer term, the effects of better access to food, better nutritional status and better health will contribute to the better physical and mental development of the population. The effects of enhancing access to education and improving educational performance boost human development and also contribute to fostering a more productive and more readily employable workforce, which is one of the preconditions of sustained and inclusive growth (Figure 3).

The crisis has triggered a shift in the way the international community sees the relationship between growth, public intervention and social protection. In Asia and the Pacific, for example, policy-makers are increasingly moving away from export-led growth approaches alone towards more inclusive employment-intensive recovery strategies which emphasize the need to reduce high domestic savings rates and improve the region's underdeveloped social protection programmes (Ortiz et al, 2010; ILO, 2014). China is a good example, having massively expanded social protection schemes in recent years to raise national living standards and promote national demand.

In Africa and elsewhere, the food price crisis highlighted the limitations of family- and community-based traditional support systems in responding to aggregate shocks and spurred efforts to strengthen local agriculture. At the global level, there is now an awareness of the need to raise household incomes, expand internal markets and prepare better for future shocks by building up stronger systems during the current crisis recovery period.

Universal social protection thus is key for socio-economic recovery, inclusive growth and human development, an essential component of the 2030 Development Agenda.

This Universal Social Protection brief was elaborated by the ILO.

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Sub-Saharan Africa: Economic and productive impacts of national cash transfers programmes

Social protection is increasingly recognized as a critical strategy for poverty reduction and inclusive growth. Both, the Agenda 2030, as well as Agenda for Humanity, stress the critical role social protection can play in the fight against poverty and exclusion, but also as a component of resilience building. However, more than 70% of the world population, especially in rural areas, lack adequate coverage of social protection; and thus we are still far for achieving universal coverage goals. (ILO, 2014)

However, progressively, global and regional level commitments are translating into actions at country level: governments are defining national social protection policies and strategies, as well as allocating national budgets to the expansion and scale-up of social protection programmes, such as cash transfers. This is certainly the case for sub-Saharan Africa where only about 20% of the poorest receive social assistance.

This brief brings together the critical mass of evidence emerging from recent rigorous impact evaluations of government-run cash transfer

Key messages

- Cash transfer programmes generate a broad range of social and economic impacts, including enhancing the economic and productive capacity of poor rural families.
- Results from rigorous impact evaluations in seven countries in sub-Saharan Africa have influenced the design of national programmes, while contributing to strategic decisions to expand coverage of social protection and the progressive move from donor-funded pilots to domestically-funded national strategies.
- Impact evaluations, embedded in national policy processes have contributed to strengthen the case for scale-up: building the credibility of an emerging sector; addressing public misconceptions linked with cash transfers, while supporting learning around programme design and implementation.
- The economic case has focused on highlighting the role of social protection not only as a social policy tool, but also as a strategic investment to enhance the economic and productive potential of the poor.
- The impact of social protection is highly dependent on its design and effective implementation.

programmes in seven countries in sub-Saharan Africa. These assessments have been developed under the Transfer Project/ From Protection to Production (PtoP) initiative, led by the Food and Agriculture Organization of the United Nations (FAO) and the United Nations Children's Fund (UNICEF) in partnership with national governments and research organizations.

The evaluations used mixed methods, combining qualitative research, econometric analysis of quantitative evaluation data and general equilibrium modelling of local economy impacts.

A critical contribution of this joint effort is the focus on the **economic and productive outcomes** of cash transfers on beneficiary households, as well as on the broader communities and economies in which they live.

This evidence contributes to strengthen the **economic case** for the expansion of social protection programmes.

The case is based on three core pillars, supported by evidence presented in this brief:

- *Human capital development*: Cash transfers reduce the economic barriers to access education, nutrition and health services, contribute to food security and dietary diversity prevent child labour as well as address the economic and social drivers of HIV risk among adolescents. In this sense, cash transfer programmes contribute to enhancing the **future productivity and employability of today's children and adolescents, once they reaching working age.**

- *Economic potential of the poor*: In addition to social impacts, access to predictable and regular transfers enhances the **economic and productive capacity** of even the poorest and most vulnerable people, supporting the ownership of assets, investment in more productive activities, improved risk management capacities and empowerment of communities.

- *Stimulating local growth:* Benefits expand beyond direct programme beneficiaries, reaching the wide community and generating **multiplier impacts in the local economy.**

Overall, evidence on economic and productive impacts contributes to demonstrating the positive economic impact of cash transfers and addressing concerns regarding dependency and labour disincentives and thus showing that **social protection is an investment, and not a hand-out.**

Background

During the past ten years, a growing number of sub-Saharan Africa governments have launched cash transfer programmes as part of their social protection strategies. Many of these programmes originated from a concern about vulnerable populations, often in the context of HIV/AIDS, and chronic food insecurity. This influenced the setting of objectives and targeting with an emphasis on the ultra-poor, labour-constrained, and/or households caring for orphans and vulnerable children (OVC). The majority of these programmes are unconditional and have been designed with strong participation of communities, with an effort to improve food security, health, nutritional and educational status, particularly of children.

Livelihoods of most beneficiaries are predominantly based on subsistence agriculture and rural labour markets and most live in places where markets, including of financial services (such as credit and insurance), are limited or do not function well. For this reason, access to predictable and regular transfers can help beneficiary households manage risks from shocks and stresses, as well as relax liquidity and credit constraints and address other market failures. This, in turn, can increase productive spending and investment, improve access to markets and stimulate local economies.

The evidence: enhancing the economic potential of poor rural households

Agricultural activities

Cash transfers programmes had a variety of impacts on household livelihood strategies, especially agricultural activities. In Zambia, the Child Grant Programme (CGP) led to a 36 percent increase in the area of worked land as well as an increase in the use of agricultural inputs, including seeds, fertilizers and hired labour. The increase in input use led to an approximately 36 percent increase in the value of overall production, which was primarily sold in markets rather than consumed on farm. Moreover, the cash transfer produced an income multiplier at the household level—the increase in per capita consumption induced by the programme was 25 percent greater than the transfer itself. Overall the grants led to a stronger engagement of beneficiary households in capital investments for agricultural production and new economic activities.

In Lesotho, the Child Grants Programme also increased crop input use and expenditures, including an eight percentage point boost in the share of households using pesticides (from a base of 12 percent). As in Zambia, the increase in input use led to an increase in maize production and, for labour constrained households, in sorghum production, as well as in the frequency of garden plot harvest. In Zimbabwe, the Harmonized Social Cash Transfer (HSCT) led to an increase in expenditure on fertilizers and in the share of households producing groundnuts, while in Malawi the Social Cash Transfer Programme (SCTP) facilitated an increase in both maize and groundnut output. In both Kenya and Malawi, the cash transfer increased family food consumption obtained from home production.

In almost all programmes, cash transfers led to an increase in the ownership of livestock. This ranged from impacts on all types of animals, large and small, in Zambia and Malawi, to small animals in Kenya, Lesotho and Zimbabwe. Similarly, Ethiopia, Malawi, Zambia and Zimbabwe have experienced an increase in the purchase of agricultural tools.

Impacts on labour supply

Along with the increase in agricultural activities, the programmes also affected labour reallocation within and outside the household, without reducing total labour supply. Specifically, a reduction in casual agricultural labour – activity of last resort for many poor households- was common to most countries. The shifts from agricultural wage labour to on farm activities were consistently reported in all countries. In Zambia particularly, this was offset by an increase in on-farm labour, as well as by increases in non-farm businesses. Families in Malawi, Kenya and Zimbabwe have also increased their engagement in non-farm business as a result of the transfers received.

The evidence also shows that cash transfers reduce child participation on family farms of beneficiary households. Participation in family farming decreased overall in Kenya and Lesotho, for younger children in Ethiopia and for girls in Zimbabwe.

Gender and women economic empowerment

Cash transfers offer also a great potential for the economic and social empowerment of women. Access to cash can enable women's autonomy in some economic decisions, promote their social and financial inclusion, increase their ability to start small businesses and improve their labour status.

Impact evaluations of cash transfers indicate that these help promote women's economic advancement in agriculture. For instance, as a result of the Child Grants Programme in Lesotho, girls aged 13-17 are 24 percentage points more likely to be enrolled in school and 32 percentage points less likely to miss classes. Moreover, in Kenya and Malawi, transfers are helping women acquire productive assets and small livestock. In Malawi cash transfers led to changes in female beneficiaries' sources of income, with less casual agricultural (ganyu) labour being done and much more engagements in income generating activities, such as selling food and vegetables at local markets and setting up small businesses.

Impacts on risk-coping strategies

Evidence is also showing that cash transfers have improved families' capacities to better manage risk. Households diversified their income generating activities by increasing their engagement in non-farm businesses, in Zambia and Zimbabwe, or switching types of non-farm business, in Malawi. The programmes, in Malawi, Ethiopia and Lesotho, reduced the number of families who opted for negative risk coping strategies such as distress sales of assets, begging or changing eating habits. Fieldwork also found that in almost all countries, households were less likely to take their children out of school.

Moreover, the cash transfer programmes allowed households to be seen as more financially trustworthy and especially in Ghana and Malawi transfers led to debt repayments and reduction in loans. In addition, cash transfers in general reinforced existing social networks and community engagement increasing the participation of the poorest households in these critical community social networks.

Generating multiplier impacts in the local economy

The evidence generated across these seven case studies showed that in addition to generating economic and productive impacts for beneficiary households, the transfer also affected production in non-beneficiary households through market spillovers. In other words, when beneficiaries receive cash and spend it, the transfer's impacts are then transmitted from the beneficiary household – who demand goods and services – to others inside and outside the local economy, often to households not eligible for the cash transfer, who tend to own most of the local businesses.

These income multipliers are measured via an innovative village economy model, called the LEWIE (Local Economy-wide Impact Evaluation) model. LEWIE models constructed for the cash transfer programmes in Kenya, Lesotho, Ghana, Malawi, Zambia, Zimbabwe and Ethiopia generated nominal income multipliers ranging from 2.52 in Hintalo-Wajirat in Ethiopia to 1.34 in Nyanza, Kenya. That is, for every Birr transferred by the programme in Hintalo-Wajirat, up to 2.52 Birr in income can be generated for the local economy. However, when credit, capital and other market constraints limit the local supply response, the increase in demand brought about by the cash transfer programme may lead to increased prices, and consequently a lower income multiplier

The spillover impacts further reinforces the case for social protection expansion: social protection is not only allowing poor and vulnerable families to improve their wellbeing and livelihood development, but more so, to contribute to stimulate and strengthen local economic growth via trade and productive linkages.

Implementation matters

A key lesson learned across all seven countries is that social and economic impacts depend on effective design and implementation. A number of factors help to explain the differences in results across countries: regularity, predictability, transfer size, demographic profile.

- **Regular and predictable transfers** facilitate planning, consumption smoothing and investment. Households that receive irregular and unpredictable transfers, such as was the case in Ghana, are likely to spend the money differently. As a result, families in Ghana were not able to plan their investment and this led to fewer impacts directly on productive activities and livestock ownership.

- The **amount of the transfer** matters. Transfer values should be large enough to make a difference to families' incomes. The size of the transfer as a share of per capita consumption of beneficiary households ranged from 7 percent in Ghana to almost 30 percent in Zambia, which directly affected the programmes' outcomes. In Zambia, the CGP achieved far greater results on productive activities than the LEAP in Ghana especially because of the bigger size of the grants.

- The **demographic profile** of beneficiary households – and particularly the availability of labour capacities – also matters. Most of the cash transfer programmes included in this brief, by design, have a large proportion of labour constrained households, which affects the nature of economic activities a household can employ. The CGP in Zambia was the exception, with a target population of young families, with available labour. Finally, differential access to productive assets besides labour, the nature of local markets, the effectiveness of local committees in implementing a given programme, and the nature of messaging associated with the transfers, all play a role in determining the impacts of the programme. Differences in the size of the multiplier among countries, and among areas within countries, are driven by the openness and structure of the local economy, where money is spent in the local economy and the intensity of the supply of goods produced within the local economy.

Lessons learned and policy implications: Building the economic case for the expansion of social protection

Evidence coming from country-level impact evaluations has contributed to increase the understanding among policy makers of social protection as an effective measure to combat hunger, reduce poverty and foster rural development. The evidence shows than cash transfer programmes can generate a broad range of impacts, including on the productive and economic activities of both beneficiary and non-beneficiary households in the communities where they are implemented. This provides a comprehensive perspective (social and economic impacts) and enhances the case to scale-up these programmes as a strategy to contribute to poverty reduction, as well as inclusive growth.

The evidence has also helped to address some of the policy concerns and misconceptions regarding cash transfer and dependency. In other words, results show that contrary to creating disincentives to labour or willingness to generate productive activities, regular transfers provided poor households with the opportunity to enhance their livelihoods and enhance their ability to contribute to their local development- investing in productive activities and, re-entering social networks. Cash transfer were not only able to protect families from falling deeper into poverty, acting a short-term safety net, but as a means of promoting farm and household-level production gains.

Cash transfers and other social protection measures have proven successful in reducing hunger and poverty, in meeting basic consumption needs and in reducing some of the market failures faced by the small family farmers benefiting from the programmes. But cash transfers alone cannot address all of these constraints and move sustainably people out of poverty. For example, bringing social protection and agricultural interventions together can promote growth in smallholder productivity by addressing structural constraints that limit poor households' access to land and water resources, inputs, financial services, advisory services and markets. Cash transfers can be linked to livelihood interventions and thus potentially serve as an important complement to a broader rural development agenda, including a pro-poor growth strategy focusing on agricultural transformation.

Building the economic case for social protection is a concrete contribution to country-level policy discussions and actions around expanding coverage of social protection, developing social protection systems (Sustainable Development Goal Target 1.3), and allocating domestic investment for expansion in countries. In countries such as Ghana, Kenya, Lesotho and Zambia many factors provided a strong case for national policy makers to promote scale-up: the combination of solid and rigorous evidence; broad range of social and economic impacts; a methodology that prioritized generating evidence as part of national policy processes; political champions at country level; support and coordination by development partners such as UNICEF and FAO; and the development of a learning agenda with diverse products released at critical policy moments.

This Universal Social Protection brief was produced by Natalia Winder Rossi and Massimiliano Terzini of the Food and Agriculture Organization of the United Nations (FAO), in partnership with the United Nations Children's Emergency Fund (UNICEF). It was reviewed by Isabel Ortiz, Christina Behrendt and Loveleen De of the ILO.

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Annex: The Programmes

Country	Cash Transfer Programme	Baseline	Follow-up	Number of Households Coverage	Incidence on poverty line
Ethiopia	Tigray Minimum Social Protection Package[1]	2012	2014	3 700 house-holds	n.a.
Ghana	Livelihood Empowerment Against Poverty (LEAP)	2010	2012	147 000 house-holds (45 000 additional hhs to be enrolled in Sept 2016)	33%
Kenya	Cash Transfers for Orphans and Vulnerable Chil-dren (CT-OVC)	2007	2009, 2011	363 000 house-holds	41%
Lesotho	Child Grants Pro-gramme (CGP)	2011	2013	30 000 house-holds	32%
Malawi	Social Cash Transfer (SCT)—Expansion	2013	2014	170 000 house-holds	7%
Zambia	Social Cash Transfer (SCT) programme	2010	2012, 2013, 2014	242 000 house-holds	23.2%
Zimbabwe	Harmonized So-cial Cash Transfer (HSCT)	2013	2014, 2015	55 509 house-holds	17.5%

1 Specific pilot in Tigray region. The flagship social protection programme in Ethiopia, the Productive Safety Net Programme (PSNP) cover almost 8 million beneficiaries.

Financing universal social protection

Fiscal space exists even in the poorest countries: This brief presents options to expand social protection

Key messages

There is national capacity to fund social protection in virtually all countries. There are many options, supported by UN and IFIs policy statements:

1. Re-allocating public expenditures
2. Increasing tax revenues
3. Expanding social security coverage and contributory revenues
4. Lobbying for aid and transfers
5. Eliminating illicit financial flows
6. Using fiscal and foreign exchange reserves
7. Borrowing or restructuring existing debt
8. Adopting a more accommodative macroeconomic framework.

It is often argued that social protection is not affordable or that government expenditure cuts are inevitable during adjustment periods. But there are alternatives, even in the poorest countries. In fact, there is a wide variety of options to expand fiscal space and generate resources for universal social protection. The eight financing options described in this brief are supported by policy statements of the United Nations and international financial institutions. Many governments around the world have been applying them for decades, showing a wide variety of revenue choices as well as creativity to address vital social investment gaps.

1. Re-allocating public expenditures:

This is the most orthodox approach, which includes assessing on-going budget allocations through Public Expenditure Reviews (PERs) and other types of thematic budget analyses, replacing high-cost, low-impact investments with those with larger socio-economic impacts, eliminating spending inefficiencies and/or tackling corruption. For example, Egypt created an Economic Justice Unit in the Ministry of Finance to review expenditure priorities, and Costa Rica and Thailand shifted military spending to finance universal health services.

2. Increasing tax revenues:

This is clearly the principal channel for generating resources, which is achieved by altering different types of tax rates—e.g. on consumption, corporate profits, financial activities, property, imports/exports, natural resources—or by strengthening the efficiency of tax collection methods and overall compliance. Many countries are increasing taxes for social investments, not only on consumption, which is generally regressive and counter to social progress, but also on other areas. For example, Bolivia, Mongolia and Zambia are financing universal pensions, child benefits and other schemes from mining and gas taxes; Ghana, Liberia and the Maldives have introduced taxes on tourism to support social programs; and Brazil introduced a tax on financial transactions to expand social protection coverage.

3. Expanding social security coverage and contributory revenues:

Increasing coverage and therefore collection of contributions is a reliable way to finance social protection, freeing fiscal space for other social expenditures; social protection benefits linked to employment-based contributions also encourage formalization of the informal economy, a remarkable example can be found in Uruguay's Monotax. Argentina, Brazil, Tunisia and many others have demonstrated the possibility of broadening both coverage and contributions.

Table 1. Examples of fiscal space strategies in selected countries

	Bolivia	Botswana	Brazil	Costa Rica	Lesotho	Iceland	Namibia	South Africa	Thailand
Re-allocating public expenditures				X	X	X		X	X
Increasing tax revenues	X	X	X		X	X	X		X
Expanding social security contributions			X	X	X		X	X	X
Reducing debt/debt service	X	X	X	X	X	X		X	X
Curtailing illicit financial flows						X			
Increasing aid							X		
Tapping into fiscal reserves	X	X	X						
More accommodative macro framework	X		X						X

4. Lobbying for aid and transfers:

This requires either engaging with different donor governments or international organizations in order to ramp up North-South or South-South transfers. Despite being much smaller than traditional volumes of ODA, bilateral and regional South-South transfers can also support social investments and warrant attention.

5. Eliminating illicit financial flows:

Estimated at more than ten times the size of all ODA received, a titanic amount of resources illegally escape developing countries each year. To date, little progress has been achieved, but policymakers should devote greater attention to cracking down on money laundering, bribery, tax evasion, trade mispricing and other financial crimes that are both illegal and deprive governments of revenues needed for social and economic development.

6. Using fiscal and central bank foreign exchange reserves:

This includes drawing down fiscal savings and other state revenues stored in special funds, such as sovereign wealth funds, and/or using excess foreign exchange reserves in the central bank for domestic and regional development. Chile, Norway and Venezuela, among others, are tapping into fiscal reserves for social investments.

7. Borrowing or restructuring existing debt:

This involves active exploration of domestic and foreign borrowing options at low cost, including concessional, following careful assessment of debt sustainability. For example, South Africa issued municipal bonds to finance basic services and urban infrastructure. For countries under high debt distress, restructuring existing debt may be possible and justifiable if the legitimacy of the debt is questionable and/or the opportunity cost in terms of worsening deprivations of vulnerable groups is high. In recent years, more than 60 countries have successfully re-negotiated debts, and more than 20 have defaulted/ repudiated public debt, such as Ecuador, Iceland and Iraq, directing debt servicing savings to social programs.

8. Adopting a more accommodating macroeconomic framework:

This entails allowing for higher budget deficit paths and/or higher levels of inflation without jeopardizing macroeconomic stability. A significant number of developing countries have used deficit spending and more accommodative macroeconomic frameworks during the global recession to attend to pressing demands at a time of low growth and to support socio-economic recovery.

Each country is unique, and all options should be carefully examined, including the potential risks and trade-offs, and considered in national social dialogue. Given the importance of public investments for human rights and inclusive development, it is imperative that governments explore all possible alternatives to expand fiscal space to promote national socio-economic development with jobs and social protection.

Social dialogue: Fundamental to generate political will to exploit all potential options

National social dialogue is best to articulate optimal solutions in macroeconomic and fiscal policy, the need for job and income security and human rights. While in some countries, national development strategies and their financing sources have been shaped though social dialogue, in many other countries this has not been the case. Public policy decisions have often been taken behind closed doors, as technocratic solutions with limited or no consultation, resulting in reduced social investments, in lack of public ownership, adverse socio-economic impacts and, frequently, civil unrest.

National tripartite dialogue, with government, employers and workers as well as civil society, academics, United Nations agencies and others, is fundamental to generate political will to exploit all possible fiscal space options in a country, and adopt the optimal mix of public policies for inclusive growth and social justice.

Questions to consider on fiscal space options during national dialogue include:

i. Reprioritizing Public Spending: Can government expenditures be re-allocated to support social investments that empower vulnerable households? Are, for example, current military, infrastructure or commercial sector expenditures justified in light of existing poverty rates? Has a recent study been conducted to identify measures to enhance the efficiency of current investments, including steps to tackle and prevent corruption and the mismanagement of public funds?

ii. Increasing tax revenues: Have all tax codes and possible modifications been considered and evaluated to maximize public revenue without jeopardizing private investment? Are personal income and corporate tax rates designed to support equitable development outcomes? What specific collection methods could be strengthened to improve overall revenue streams? Could minor tariff adjustments increase the availability of resources for social investments? Is natural resource extraction adequately taxed? Can tax policies better respond to “boom” and “bust” cycles? Have financial sector taxes been considered to support productive and social sector investments? Has there been any attempt to earmark an existing tax or introduce a new one to finance specific social investments – taxes on property, inheritances, tourism, tobacco, etc.?

iii. Expanding social security coverage and contributory revenues: What is the percentage of workers contributing to social security? Can contributions to social security be extended to more workers? Are current contribution rates adequate? Is there scope to introduce innovations (e.g. like Monotax in Latin America) to encourage the formalization of workers in the informal sector?

iv. Lobbying for increased aid and transfers: Has the government delivered a convincing case to OECD countries for increased aid, including budget support, to support the scaling up of social investments? Has there been any formal or informal attempt to lobby neighboring or friendly governments for South-South transfers?

v. Eliminating illicit financial flows: Has a study been carried out or a policy designed to capture and re-channel illicit financial flows for productive uses? What can be done to curb tax evasion, money laundering, bribery, trade mispricing and other financial crimes are illegal and deprive governments of revenues needed for social and economic development?

vi. Using fiscal and foreign exchange reserves: Are there fiscal reserves, for example, sitting in sovereign wealth funds that could be invested in poor households today? Are excess foreign exchange reserves being maximized and used to foster local and regional development?

vii. Borrowing or restructuring debt: Have all debt options been thoroughly examined to ramp up social investments? What are the distributional impacts of financing government expenditures by additional borrowing? Have different maturity and repayment terms been discussed with creditors? Has a public audit been carried out to examine the legitimacy of existing debts?

viii. Adopting a more accommodating macroeconomic framework: Is the macroeconomic framework too constrictive for national development? If so, at what cost to macroeconomic stability? Could increasing the fiscal deficit by a percentage point or two create resources that could support essential investments for the population? Are current inflation levels unduly restricting employment growth and socio-economic development?

Lastly, have all options been carefully examined and discussed in an open social dialogue? Have all possible fiscal scenarios been fully explored? Is there any assessment missing from the national debate? Are all relevant stakeholders, government, employers, workers, civil society, academics, United Nations agencies and others, being heard and supportive of an agreement that articulates an optimal solution in macroeconomic and fiscal policy, the need for job and income security and human rights?

A good starting point for country level analysis is a summary of the latest fiscal space indicators for 187 countries, available in Annex I of "Fiscal Space for Social Protection and the SDGs: Options to Expand Social Investments in 187 Countries"[1].

This Universal Social Protection brief is based on the paper "Fiscal Space for Social Protection and the SDGs: Options to Expand Social Investments in 187 Countries " by Isabel Ortiz, Matthew Cummins and Kalaivani Karunanethy, published by the ILO, UNICEF and UNWOMEN.

1 Available at: http://www.social-protection.org/gimi/gess/RessourcePDF.action?ressource.ressourceId=515377

WORLD BANK GROUP   International Labour Organization

A SHARED MISSION FOR UNIVERSAL SOCIAL PROTECTION

Concept Note

In the early 21st century, we are proud to endorse the consensus that has emerged – that social protection is a primary development priority. Well-designed and implemented social protection systems can powerfully shape countries, enhance human capital and productivity, eradicate poverty, reduce inequalities and contribute to building social peace. They are an essential part of National Development Strategies to achieve inclusive growth and sustainable development with equitable social outcomes.

Universal coverage and access to social protection are central to ending poverty and boosting shared prosperity, the World Bank's twin goals by 2030. Universal social protection coverage is at the core of the ILO's mandate, guided by ILO social security standards including the Social Protection Floors Recommendation, No. 202, adopted by 185 states in 2012. Many countries have embarked in expanding social protection coverage and are reporting significant progress.

Since the 2000s, universality has re-entered the development agenda. First it was education: universal primary education became a Millennium Development Goal in 2000. Then it was health: in December 2013, the World Bank and WHO committed to universal health coverage. Now it is time for universal social protection.

For the World Bank and the ILO, universal social protection refers to the integrated set of policies designed to ensure income security and support to all people across the life cycle – paying particular attention to the poor and the vulnerable. Anyone who needs social protection should be able to access it.
Universal social protection includes adequate cash transfers for all who need it, especially: children; benefits/support for people of working age in case of maternity, disability, work injury or for those without jobs; and pensions for all older persons. This protection can be provided through social insurance, tax-funded social benefits, social assistance services, public works programs and other schemes guaranteeing basic income security.

Why support universal social protection?

There is considerable rigorous scientific evidence that well-designed and implemented social protection systems can be the foundation for sustained social and economic development –for individuals, communities, nations and societies.

- It prevents and reduces poverty, promotes social inclusion and dignity of vulnerable populations;
- It contributes to economic growth: raising incomes increases consumption, savings and , investment at the household level, and raises domestic demand at the macro level;
- It promotes human development: cash transfers facilitate access to nutrition and education, thus resulting in better health outcomes, higher school enrolment rates, reduced school drop-out rates, and a decline in child labor;
- It increases productivity and employability by enhancing human capital and productive assets;
- It protects individuals and families against the losses due to shocks, whether they be pandemics, natural disasters, or economic downturns;
- It builds political stability and social peace, reducing inequalities, social tensions and violent conflict; social protection ensure greater social cohesion and participation;
- It is a human right that everyone, as a member of society, should enjoy, including children, mothers, persons with disabilities, workers, older persons, migrants, indigenous peoples and minorities.

Universal Social Protection Coverage Today

Today, more than 30 low and middle-income countries have universal or nearly universal social protection programs. Over 100 others are scaling-up social protection and fast-tracking expansion of benefits to new population groups. Universal social protection is most commonly achieved for old-age pensions. Universal social protection for children is also a reality in some countries. Further, universality of protection has been endorsed by international statements by the African Union, ASEAN, the European Commission, G20, OECD and the United Nations.

Paths to universal social protection

There are many paths towards universal social protection. Both the ILO and the World Bank fully recognize:

- national ownership of development processes towards universalism;
- the choice of countries to aim for gradual and progressive realization or immediate universal coverage;
- the heterogeneity in the design and implementation of universal schemes.

Countries have a wide set of options to achieve universal social protection coverage. Generally, universality is achieved by combining contributory and non-contributory schemes. For instance, the People's Republic of China has achieved nearly universal pensions by complementing social insurance with social pensions in rural areas. Other countries like Bolivia provide tax-financed universal benefits to all older persons. Some countries choose gradual and progressive realization and others opt for immediate universal coverage.

Financing social protection

Countries have used many options to finance universal social protection coverage, such as:

- Re-allocating public expenditures;
- Increasing tax revenues, including revenue generated from taxation of natural resources;
- Using the reductions of debt or debt servicing;
- Expanding social security coverage and contributory revenues.

The variety of universal social protection programs needs to be sustainable and equitable, taking into account the contributory capacity of different population groups. Better enforcement of tax and contribution obligations ensures a broader and sufficiently progressive revenue base can accelerate progress towards universal social protection coverage. Enforcement of social security revenue collection may result in higher tax collections, particularly in countries with young demographic pyramids. Higher tax revenues can in turn support the promotion of statutory programs. For those poor and unable to contribute, governments have to identify sustainable sources of fiscal revenue.

The Vision: Universal social protection to ensure that no one is left behind

The World Bank and the ILO share a vision of a world where anyone who needs social protection can access it at any time.

The vision states that both institutions recognize that universal social protection is a goal that we strive to help countries deliver. Achieving universality would facilitate the delivery of the World Bank's corporate goals of reducing poverty and increasing shared prosperity and the ILO's mandate of promoting decent work and social protection for all. This shared mission would drive the development agenda to ensure lasting peace, prosperity and progress.

The Objective: Increase the number of countries adopting Universal Social Protection

The ILO and the World Bank's shared objective is: "To increase the number of countries that can provide universal social protection, supporting countries to design and implement universal and sustainable social protection systems."

The objective recognizes the aspirational elements of the ILO and the World Bank's shared vision, and that the means of achieving the vision is through either the progressive or immediate realization of social protection, as well as through ensuring that there is no retrogression on progress achieved.

The objective recognizes that if countries develop comprehensive systems providing universal protection across the life cycle, and there is sufficient evidence that social protection systems are affordable, efficient, effective and equitable, then more countries will adopt these systems as part of their national development strategies. It also recognizes that there are large synergies and advantages if the ILO and World Bank collectively support the development of universal social protection systems in countries, with a focus on sustainable domestic financing.

Universal Social Protection Coverage in the Post 2015 Development Agenda

In 2016, the United Nations began implementing an ambitious new development agenda: the Sustainable Development Goals (SDGs). Today, the world continues to face prevalent and persistent poverty in many places while global inequalities are on the rise. As Member States identify national

priorities and ultimately adopt post-2015 plans, they set the course of international development efforts for the next fifteen years to come. It is, therefore, imperative to get it right.
Social protection and, in particular, universal social protection figure prominently among the set of SDGs:

> *Goal 1.3 Implement nationally appropriate social protection systems and measure for all, including floors, and by 2030 achieve substantial coverage of the poor and vulnerable*

Social protection policies feature in goals to achieve gender equality and to reduce income poverty and inequality both between and within countries. The vision shared by the ILO and the World Bank reinforces the agenda's universal aspirations to be applicable to all countries regardless of income level.

Timebound Actions

The World Bank and the ILO declare that they will work together to achieve this shared vision until the Sustainable Development Goals are realized.

In the short term, the ILO and the World Bank will:

- **Launch the initiative** with a high-level statement calling the attention of world leaders to the importance of universal social protection policies, as well as financing mechanisms. This statement will also articulate the shared vision of the two organizations, and outline tangible activities to advance universal social protection both in the lead-up to and following adoption of the post-2015 development agenda.

- **Call for partners to join the initiative:** Governments, development agencies, and civil society organizations can join a Global Partnership for Universal Social Protection.

- **Document country experiences on universal social protection coverage:** Succinct case studies presenting how countries achieved universal social protection coverage, and extracting good practices relevant for other countries.

- **Documenting the development case and financing of universal social protection:** Analyze the financing implications of universal social protection together with the generation of evidence about ways this can be innovatively resourced and other topics important to generate political will such as the investment case and socio-economic benefits of providing universal social protection.

- **Monitoring framework for universal social protection in the post-2015 agenda:** as part of the ongoing collaboration on social protection statistics.

- **Global conference on universal social protection for inclusive and sustainable growth:** High-level public event, presenting the country case studies, and launching the New Global Partnership for Universal Social Protection to Achieve the Sustainable Development Goals.

In the medium term (1-15 years), the World Bank and the ILO, as well as interested partners, will use their individual and collective resources and influence to support countries in their move towards providing universal coverage. This will include joint support to countries in their efforts to harmonize social protection policies, programs and administration systems, expanding fiscal space for universal social protection, addressing bottlenecks and adequately integrating universal social protection into their national development strategies.

World Bank Group and International Labour Organization (ILO).

September 2016

The Sustainable Development Goals commit countries to developed nationally appropriate social protection systems for all. This volume presents success stories of countries in Africa, Asia, Central Europe and Latin America who achieved universal social protection coverage in the areas of child, maternity, disability and old-age pension benefits. The country cases provide detailed information regarding how universal coverage was build up over time, how benefits were designed, their administrative set up, financing and legal considerations as well as the positive developmental impacts. The success stories presented in this volume were prepared for the launch of the Global Partnership for Universal Social Protection in September 2016 at the UN General Assembly, to provide evidence that universal social protection is feasible in developing countries.

It includes contributions from:

World Bank | ILO
African Union | EU-OECD-Finland Social Protection Systems Programme| Expertise France | Food and Agriculture Organisation (FAO) | German Development Cooperation| Help Age International | International Policy Center for Inclusive Growth UNDP | Inter-american Development Bank |International Council of Social Welfare (ICSW) | Save the Children | United Nations Children's Fund (UNICEF)

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