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Social Policy Highlight 07



Dynamic Social Security for Africa: Extending social protection for development

After decades of structural adjustment, social security is back on the African agenda. With commitments from governments and donors, African social security administrations are actively seeking the best ways to advance social security. Realizing operational effectiveness of the existing schemes and the extension of coverage to the uncovered majority are among the main challenges. As this *Highlight* discusses, efforts to better integrate contributory and non-contributory schemes, to extend coverage, and to realize improved governance and administration are yielding benefits in terms of more inclusive societies and sustainable pro-poor economic growth.

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Policy challenges and dynamic responses

African social security administrations are extending coverage and integrating initiatives into national strategies for growth, poverty reduction and sustainable development. Across the continent, social security administrations are responding to challenges, leveraging their mandates and expertise to provide developmental responses. Recent African Union consultations have affirmed governments' commitments to the extension of rights-based social security and its key role in national development plans.

Extending multi-pillar approaches to old-age security

Population ageing is one of the greatest triumphs of humanity. Africa, with a younger population than the other continents, presents no exception to the global trend towards falling mortality and fertility. The age distribution is shifting towards older people, which creates long-term challenges for social security programmes.

This issue

- Summarizes recent developments and trends in African social security
- Highlights the growth of multi-pillar (or tiered) pension systems in Africa
- Discusses Africa's innovative approaches to extending coverage under social health insurance
- Explores the role of ISSA member organizations in Africa in promoting Dynamic Social Security

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Several social security administrations in Africa have proven their capacity to meet the challenge of providing income security to older people. Coverage rates of successful contributory pension systems in Algeria, Egypt, and Tunisia exceed 40 per cent and in Libya the rate exceeds 70 per cent.

Nevertheless, enormous gaps exist across the continent and relatively few people in Africa can expect a pension in their old age. Governments and donors, as well as social security administrations, are beginning to address this challenge, catalysing political will and building national expertise and implementation capacity.

The ISSA's report *Dynamic Social Security for Africa*[1] highlights a number of key trends, including the emergence of multi-pillar approaches to ensuring income security for people in their old age. By 2050 the number of older women and men in Africa will rise to over 200 million, with older women's life expectancy exceeding men's by 3 to 5 years. Ensuring income security for older people in Africa requires a comprehensive approach, and social security administrations are increasingly looking to realize synergies by integrating contributory and non-contributory mechanisms.

Key statistics

- There are 54 countries in Africa with a combined population of over 800 million people.
- More than 35 per cent of Africans live in economies that have grown at more than 4 per cent a year for the last decade.
- In sub-Saharan Africa, social security coverage ranges from 5 to 10 per cent and in most cases is limited to wage earners.
- In the 13 middle-income African countries, social security coverage generally ranges from 20 to 70 per cent of the population.
- African countries spend an average of 4.3 per cent of GDP on social security, compared to 25 per cent in Europe and 16.6 per cent in North America.
- Approximately 40 to 50 per cent of Africa's population is younger than age 18.
- The number of Africans aged 60 or older is estimated to be 35–40 million.
- In some African countries, out-of-pocket healthcare costs represent 40 per cent of healthcare spending.
- In recent years, many African countries have developed specific mechanisms to include poor households within new or existing social health insurance schemes.
- The HIV/AIDS pandemic has increased mortality rates dramatically in Eastern and Southern Africa, and this in turn threatens the financial viability of social security systems in many countries.

Mauritius is exemplary in illustrating this potential. And it also highlights the legislative, administrative and fiscal synergies derivable from common legislation and institutions. These synergies can improve policy coordination, reduce fragmentation in institutional provision, and better foster political will.

Building on the experience of Mauritius, the Republic of South Africa proposes to eliminate the means test in its non-contributory pension in order to better harmonize this scheme with planned contributory programmes. Morocco is considering a similar pillared approach. The multi-pillared system under consideration involves a non-contributory pension, mandatory contributory schemes and arrangements supporting voluntary savings. Ghana's recent multi-pillared Pension Reform Bill also supports reforms aimed at broadening coverage and lowering administration costs. In 2008, Kenya's Retirement Benefit Authority submitted to Cabinet a universal non-contributory pension package designed to provide all older Kenyans with a monthly minimum guaranteed benefit from age 55.

An evolving evidence base from Africa demonstrates how non-contributory pensions can extend social security coverage, tackle poverty and promote developmental outcomes. Over the longer term, however, far-sighted social security administrations are extending and linking contributory coverage into multi-pillared systems. An appropriate balancing and sequencing of these pillars can promote the developmental impact of redistribution, increased national savings and improved insurance functionality.

Including the poor in social health protection

While the United Nations Universal Declaration of Human Rights enshrined access to health care as a basic entitlement in 1948, most people in Africa are still without adequate protection. In most African countries, the health care systems are unevenly weighted towards civil servants and others working in formal-sector jobs, mainly in the urban centres. Health shocks impoverish millions of people each year: either because they cannot access health care or because the out-of-pocket costs of health care render households destitute and deplete their productive assets.

African social security administrations are tackling this challenge by:
- extending and improving coverage for formal sector workers
- working to extend social health protection to everyone in their respective countries.

Nevertheless, enormous gaps remain. Poorer people often fail to benefit from these programmes for want of information or identity papers or because of a shortage of supplies, poor implementation structures, and the prohibitive cost of access (transport, time costs, corruption and other barriers).

The African Union member governments have affirmed that equitable, accessible and quality health care is a basic human right. Social security administrations, as powerful institutions with political backing and institutional capacity and expertise, can play a role in making this aspiration a reality. Integrating access to health care into social security systems can enhance economic performance as well as the growth of the social security system.

A number of African countries have developed innovative approaches that hold potential to bridge the coverage gap, primarily by developing mechanisms that make health insurance affordable for the poor. For instance, Nigeria established a Health Insurance Fund in 2007 with financial support from the Dutch Government. In Rwanda, a community-based health insurance approach delivered through health mutual funds has proven successful. The Social Security Fund of Rwanda and Military Medical Insurance are aiming to strengthen pooling by merging their formal-sector schemes with the community-based health mutual funds in order to cover all Rwandans. This illustrates how social security administrations can lead and promote the integration of health care for all into social security systems.

ISSA member organizations and the promotion of Dynamic Social Security in Africa

The ISSA's conceptual framework of Dynamic Social Security (DSS) is a useful analytic tool for observing change in social security policy and practice, including in Africa. DSS focuses attention on the innovativeness, accessibility and sustainability of the social protection systems. It assesses to what extent these not only provide protection, encourage prevention and support rehabilitation and (re)integration but also contribute to realizing more socially inclusive and economically productive societies. The Developments and Trends report *Dynamic Social Security for Africa* underscores how ISSA member organizations can promote Dynamic Social Security, contributing to the overall extension of social protection and the reduction of poverty in Africa.

This *Social Policy Highlight* has shown how ISSA member organizations can support multi-pillared and pluralistic approaches to realizing old-age security and social health insurance for all. This involves a step-by-step progression from a basic social floor towards coherent and integrated systems. This involvement, however, can go further. ISSA member organizations – and the individual social security experts within them – can make a unique and important contribution to national economic and social development by taking part in government committees drafting national social protection strategies, by advising government ministries on demographic trends and helping with actuarial evaluations. These are areas where social security administrators have unique professional skills which are too scarce in most African countries.

This strategic role requires credibility, which is built on the trust that results from social security administrations demonstrating good governance and strong integrity. Social security administrations must demonstrate sound management, efficient and effective operations and a pro-actively transparent public information policy. Dedicated and reliable professionals are welcome partners and advisers in wider national strategy processes.

Improving administrative and operational efficiency is a central pillar of Dynamic Social Security. ISSA member organizations in Africa have been improving their operational capacities in many ways:

- by establishing customer service charters to ensure better service delivery (Ghana)
- through the involvement and regulation of the private sector (Côte d'Ivoire, Cameroon)
- through the establishment of national agencies (South Africa)
- by reorganizing to promote better integration and service delivery (Libya)
- through reforms that make benefits more accessible to the informal sector (Tunisia)
- by establishing independent regulatory bodies (Nigeria, Senegal, Tanzania)
- through technological innovations to improve administration (Algeria, Sierra Leone).

One further element of operational efficiency that must be adhered to is the effective investment of social security funds: investments must be secure and profitable. In addition, investments may achieve strategic developmental objectives. For example, South Africa's Public Investment Commission has been instrumental in transforming the country's post-apartheid economy.

Looking forward: African responses to African priorities

Recent developments and trends demonstrate how Africa aspires to achieve a broad range of social security objectives: income maintenance, poverty reduction, prevention, rehabilitation, inclusive growth, and social cohesion.

Africa is shaping its own evolving approach to Dynamic Social Security specifically on the social and policy context unique to the continent, but with clear links demonstrating the relevance of the global learning curve. It is building appropriate institutions and interventions based on African priorities and resources, informed by international lessons of experience.

Certainly, the challenges Africa faces are large, and effective and reliable management of social security is complex. In spite of substantial progress, African countries are burdened by severe backlogs in the delivery of people's rights to social security. No region of the world endures such severe disparities between people's rights and their realization.

This challenge, however, highlights the crucial role that social security can – and must – play in transforming African development and in helping Africa achieve the Millennium Development Goals. The required investments in African social security systems will yield benefits not only in terms of better governance, improved administrations, enhanced social security benefits, and reduced poverty, but also in terms of higher productive capabilities, more inclusive societies and sustainable pro-poor economic growth.

Sources

[1] ISSA. 2008. *Dynamic Social Security for Africa: An Agenda for Development.* Geneva, International Social Security Association. Available at www.issa.int

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