

**EXTENDING SOCIAL SECURITY COVERAGE
IN AFRICA**

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Table of contents

1. SOCIAL PROTECTION AS A TOOL FOR COMBATING POVERTY.....	2
2. DEVELOPMENT OF SOCIAL SECURITY IN AFRICA.....	3
2.1. HISTORICAL AND GEOGRAPHICAL PERSPECTIVES	3
2.2 ILO EFFORTS TO EXTEND SOCIAL SECURITY COVERAGE.....	8
3. MAIN FEATURES IN THE EXTENSION OF SOCIAL SECURITY COVERAGE	13
3.1. DIVERSITY OF EXCLUSION	13
3.2. DIVERSITY OF FACTORS INFLUENCING EXTENSION OF SOCIAL PROTECTION STRATEGIES	14
3.3. DIVERSITY OF ACTORS AND INSTRUMENTS TOWARDS THE OBJECTIVE OF EXTENDING COVERAGE.....	16
4. FUTURE STEPS – A SPECIAL INITIATIVE FOR AFRICA.....	20

1. Social protection as a tool for combating poverty

The Report of the Director General on ILO Activities in Africa for the 10th regional meeting in Addis Ababa in December 2003 states that “ Low economic growth, conflicts, internal strife and political instability have combined to hamper any significant reduction in poverty in Africa over the last decade” and notes that Africa lags behind other continents in key social indicators such as life expectancy, infant and maternal mortality rates, school enrolment and access to health care. Thus, a key objective of the ILO in Africa and a key challenge for leaders and policy makers is to promote opportunities for decent and productive work and to support this with effective social protection systems. But for the majority of workers in many developing countries, social, economic and political development is still at an early stage, or has been disrupted. Indeed, exclusion from social protection affects a significant number of the world’s population and the vast majority of poor people. For example, it is estimated that nearly 80 % of the population in sub Saharan Africa are excluded from access to adequate health care.

Most societies, at all levels, recognise the need to ensure that their members are protected against loss of income in the event of social risks. They also recognise the need to ensure that there is access to adequate and affordable health care. For many, these needs are met through their conditions of work wherein they represent an important component of decent work. But for the excluded, the lack of social security constitutes a denial of a fundamental human right (Universal Declaration of Human Rights, 1948) and makes the struggle against poverty more difficult. Social protection has a direct impact on poverty reduction, both in risk prevention and through the provision of compensation against its consequences. The impact of "shocks" due to the occurrence of a social or economic risk (such as an expensive illness, the loss of employment of the head of the family, or an accident leading to disability) has a significant adverse impact on the level of poverty of individuals and families. The poor are the most affected by such risks and yet they are the most vulnerable. These "shocks" push many individuals and families into poverty and prevent others from escaping..

Social protection also contributes to economic growth, in that it encourages investment, in particular for small-business entrepreneurs (linked to security), promotes productivity (better health status for workers for example), and sustains economic activities and wage security. It also contributes, through intellectual development and human and social capital growth (social cohesion, for example). Social protection for the poorest and the most vulnerable people can also facilitate the implementation of structural reforms aimed at economic growth and development. Furthermore, it has a key function in promoting equity and reducing inequality (and thus on the reduction of absolute but also relative poverty) and it represents a powerful instrument for redistributing wealth between different population categories.

However, in much of sub-Saharan Africa, where 50 per cent of the population lives on less than \$1 a day, these social and economic benefits are either unavailable or of limited impact.. Africa faces a two edged sword: **on one side a broad range of risks** which threaten security, living conditions, incomes and health **and, on the other side**, a lack of resources and skills available to combat these risks. In this context, the weaknesses and adverse factors, which illustrate vividly the need for social security, are to be found in an analysis of what might be done to improve things. One of the consequences is that social security tends to be applied within a relatively small group rather than on a national basis. The risk pool is too deep to permit the sharing of costs on a basis which is affordable at the level of the individual. In developing countries, the poor majority are therefore often outside the scope of any social insurance scheme: they do not want to contribute or they cannot afford to and those who can contribute may not wish to support those who cannot.

This poor majority have, however, found ways of supporting each other often through traditional systems, which at least provide some assistance in meeting their social protection needs and in promoting their income-generating activities. All over Africa, in the informal economy, one can find examples of group, family, community or trade based systems, which generate savings or provide a range of help from ensuring access to health to sharing food and shelter and providing a minimum income. And these groups are often led by women seeking to help each other while coping with their combined roles as mothers, breadwinners and housekeepers. In the five past years, the international community and the ILO in particular, has increasingly turned its attention to assisting in the establishment, development and sustainability of these groups. This does not mean that the ILO has turned away from the development of social insurance or other forms of organised and public social security. The reality in Africa however, is that there is also a need for different and innovative approaches, of which micro insurance schemes based on solidarity and redistribution within the group is but one example. There is often a need for a blend of activities, which strike a balance between community-based initiatives, the strengthening of public social security schemes, and the development of universal schemes for health care and other benefits. Programmes to extend coverage must take account of the social protection needs and the capacity of the group, but there are also many opportunities for learning from the experience of others.

2. Development of social security in Africa

2.1. Historical and geographical perspectives

Inevitably, the pattern of social security provision in Africa reflects colonial preferences and considerations. New systems of organised social protection emerged to support economic development. Initially, the colonial powers extended their own system to their expatriates. The extension of such provisions to African workers varied but was mainly concentrated on urban and industrial workers to stabilise the labour force and to satisfy the trade unions. However, the majority of the population remained beyond the scope of such an extension.

Against this background, several distinct patterns developed in Africa, which reflected colonial traditions and linkages. In North Africa, where proximity to Europe was a dominant factor, schemes are to be found in Algeria, Egypt, Libya, Morocco and Tunisia, which provide pensions based on social insurance principles and which were established in the 1950s. Efforts have also been made both to provide a wide range of benefits with contingencies such as unemployment (being covered in Algeria, Egypt and Tunisia) and also to reach beyond employed persons to coverage of the self employed.

Tunisia and Egypt – Seeking universal coverage

Using a variety of initiatives, Tunisia succeeded in raising social security coverage – for health care, old age pensions, maternity and employment injury – from 60 to 84 per cent of its workers and their families in just 10 years. Nearly all Tunisians who work in the public and private non-agricultural sectors are now covered. And, while coverage rates are still below 50 per cent in the agricultural sector and among the self employed, the government hopes that all workers will be covered in the years to come.

How is this being done so rapidly? Firstly, Tunisia took measures to limit the under-declaration of income from the self-employed by developing income scales for various occupational groups to calculate contribution liability. This was followed by an extensive

publicity campaign in collaboration with employers and workers' organisations that brought a large number of employers and workers into the scheme. Secondly, as the government took these vigorous steps to improve compliance, confidence grew in the scheme as an effective source of protection against rising health care costs as well as providing security in old age

Although based on similar legal provisions and concepts, the Egyptian experience in securing compliance and coverage in respect of the self-employed and workers in the informal economy has not been so positive. This is a comprehensive scheme, which provides a wide range of benefits to 17 million people. The scheme covers, at least in principle, most of the labour force and is based on social insurance principles with contributions and benefits related to earnings. The self employed are covered although they are divided into two categories with a different benefit and contribution structure – the professional, commercial and agricultural self employed some of whom are employers and enjoy a wider range of benefits, while the much larger number of casual workers who include small scale agriculture workers, self employed with no fixed workplace, domestic servants and carriers receive a flat rate pension on retirement. The complexity of the Egyptian social security system provides opportunities for employers and workers, and, in particular the self employed, to evade or restrict their liability and illustrates the importance of good governance for a successful national social security scheme.

In the former British colonies, priority was given to employment injury schemes, but here the development of social insurance was slower. Liability was instead placed directly on the employer (in Ghana, Nigeria, Kenya, Swaziland) and only later were schemes developed which relied on the payment of contributions by employers into a public social security fund and at least, to some extent, on the pooling of risks. The systems introduced by the British were generally more modest and except in the case of provision for public servants, did not follow the lines of schemes operating in the United Kingdom.

Although there was a growing recognition of the need to provide some form of protection to other workers in the organised sector, this led only to the establishment of national provident funds. These were effectively compulsory savings schemes, financed from contributions paid by employers and workers, which accumulated, with investment interest, to form an individual savings account for each worker. They were seen as simple to operate and also as consistent with the future needs of the African workers who were expected to return to their village on retirement where they would benefit more from a lump sum than a pension. Some countries such as Sierra Leone did not establish either pension schemes or provident funds for private sector workers and particularly in southern Africa (Zimbabwe, Malawi, Botswana and Lesotho and, to an extent, in South Africa) this development was delayed and instead there was considerable reliance on occupational pension schemes and private provident funds.

Conversion of national provident funds: pensions or lump sums

Some of the national provident funds in Africa have been converted into defined benefit pension schemes based on social insurance principles. These schemes rely on pooling risks and costs and the pension is based on length of service and average earnings rather than directly on the amount of contributions paid by the insured person and his employer. Conversion of the compulsory savings schemes has been encouraged because of difficulties in turning the provident fund balance into an adequate retirement income for the member or for his dependants in the event of his death. Thus the provident funds in Ghana, Nigeria and Zambia have been converted leaving those in Uganda, the Gambia and Swaziland still contemplating the issues. Tanzania has essentially opted for conversion to a social insurance scheme and legislation was enacted to this effect in 1997. But there are some new unusual

features in the Tanzanian scheme, which merit some elaboration. The pre-conversion contribution rate of 20% of earnings was retained even though it was determined that the pensions scheme, which replaced the provident fund, could be financed with an 8% contribution if the scheme were to be only partially funded. In principle, it was understood that the remaining 12% contribution would be used to finance other benefits such as employment injury, maternity and health care.

However, one of the original features of the provident fund permitted members to withdraw their contributions from the fund in a lump sum if they became unemployed for at least 6 months. This was always a popular provision, which accounted for the majority of benefit claims. Provident fund members have sought retention of this right to withdrawal benefit and this issue and its importance to members has resulted in a review of the structure and legislation of the social security scheme. The matter is being studied but it is likely that the new scheme will be modified to provide members with entitlement to a basic pension and to other social insurance benefits but also with the right to withdrawal of part of their contributions in a lump sum to meet more immediate needs, on the understanding that there would be a consequential reduction in their pension rights.

Similar issues are being considered in Ghana and the situation illustrates the need for flexibility in social security design to take account of social needs.

In the French colonies of sub-Saharan Africa, priority was given, initially, to employment injury schemes and then family benefits and maternity benefits were introduced in the early 1950s. Given their common heritage many of the countries of French speaking Africa have similar pension schemes, which provide benefit on retirement based on length of service and average earnings. Health care provision also followed a different pattern with French speaking Africa tending to link health care to the social insurance principles of the pension scheme, whereas the British preference was for a national health service financed centrally from Government revenues. Access to adequate health care has emerged as the most important of the social security benefits to the majority of the people in sub Saharan Africa and unfortunately it is too often denied to those most in need: people working in the informal economy and in agriculture.

In fact, since independence, a series of modifications of health care policies have been put in place. Between the 60s and 80s, most French-speaking sub-Saharan countries implemented policies aiming at improving the living conditions and health status of the people. The political and economic context was quite favourable to a focus on improved access to health care but through initiatives financed by international agencies and targeted on disease prevention programmes, rather than on the development of national health care programmes. In the 70s and 80s, the international conference in Alma Ata (in 1978) and the implementation of the Bamako initiative (in 1987) represented the adoption of a more strategic approach aimed at universal health care coverage-“health for all”. Although the application of the Bamako initiative varies from one country to another, the principle of cost recovery whereby the users contribute to the cost of the programme has been established. (cost recovery). In the 1990s, financing of health systems was marked by more in-depth research on the relationship between health and development, in particular by the work done by Amartya Sen on the “empowerment” of the people. In this context, a new movement of community-based social protection mechanisms is developing based on solidarity and risk-pooling of some specific social risks (in particular sickness and death). These new local initiatives, better known as micro-insurance, were just a few in the mid-90s (such as in Senegal and Mali) but have since

increased significantly in number and in strength. and they could represent part of the solution to the extension of social protection to the excluded people in the informal economy.

Contributing to the fight against HIV/AIDS

The tragic impact of HIV/AIDS is now widespread throughout the African continent and represents a humanitarian disaster. More than 30 million people have been infected with the virus, of which the majority is of working age. In the southern countries of Africa such as Botswana, Lesotho, Swaziland and Zimbabwe, more than a third of the population is affected. Women are particularly vulnerable to HIV, with more than half of new cases relate to those under 24. But this health status situation is made worse by the related phenomenon of exclusion, from which these populations suffer, even more so since most are confronted by multiple exclusion: familial, social and often medical. The inefficiency of the health care systems makes access extremely difficult for poor and HIV-infected people. The pandemic represents a considerable burden to health care systems but to an extent this can be alleviated by policies aimed at reducing social risks (through social security systems) which can impede the expansion of the illness, and in the long run have a significant impact on economic growth. Moreover, the development of community-based social protection schemes represents an opportunity which should not be neglected, to reach those populations, especially in rural areas, on which prevention programmes have little impact

Universal and non-contributory pension schemes

There are also several countries, which have chosen to adopt a type of pension scheme, which places greater emphasis on universality. Entitlement to a basic pension in South Africa depends on a means test and pensions are financed from taxation. A similar system is to be found in Namibia and Botswana but here the basic pension is payable from age 60 and is not means tested. The comprehensive schemes in Mauritius and Seychelles combine elements of universality and social insurance through a basic pension for all residents without a means test supplemented from earnings related contributions paid by employers and workers.

Old age pensions in Mauritius

“ The old age pensioner has throughout the years paid taxes on commodities he has consumed as everybody else has. He has paid taxes on tea, sugar, tobacco, matches. Rice, pulses, dried fish, rum, calico, khaki: everything he has consumed and used to be able to live as a useful member of society. One way or another he has contributed to the national budget. The Old Age Pension scheme being financed out of public funds is thus a contributory one. The applicant for Old Age Pension has already paid his contribution ”

F.S. Chadien, recorded in Debates of the Legislative Council of Mauritius, June 1957

The development of pensions in Mauritius has a 60-year history.

Every elderly resident of Mauritius receives income support from a non-contributory pension from age 60 A supplement is paid to blind or disabled persons. The pensions are not subject to either a means test or a retirement test but they are taxable. The intention was for the scheme to be only temporary and then replaced by a contributory scheme based on social insurance principles. The scheme was, however, subject to the application of a means test but this was abandoned in 1958. The Government introduced a contributory pension scheme with effect from July 1978 but the scheme tops up the basic pension to the extent of one third earnings and does not replace it. The basic non-contributory pension is flat rate. The

contributory scheme has progressively expanded to cover all private sector workers in respect of retirement, invalidity and survivors' pensions and employment injury benefits

Social insurance and HIV/AIDS

The HIV/AIDS pandemic has now reached a very high level of prevalence in many sub-Saharan countries. There is of course a high human cost, which affects society as a whole. Social security schemes are also strongly affected financially with an increase in health expenditure, and in benefits relating to invalidity, sickness and death including benefit for survivors. Actuarial projections of the future expenditure of pension schemes must take these factors into account. But this should not prevent the introduction of pension schemes.

In fact, actuarial projections completed in respect of two African countries - Namibia and Ethiopia – reveal that while, in the short run, the impact of HIV/AIDS is more expensive for the scheme, in the long run this is not the case. This is because the number of insured persons does not change significantly. New entrants will replace those who have died and whilst the costs of funeral grants and survivors benefits will be higher in the short run, this is more than balanced in the long run by fewer retirement pensions and a shorter duration of survivors pensions.

Issues regarding coverage against unemployment

Difficulty in reconciling the social security needs with the structure and benefit programmes of existing schemes have also arisen in relation to the need for income support for the unemployed. Unemployment insurance schemes have not yet been introduced in a significant number of developing and middle income countries but in recent years, as a response to both the Asian financial crisis and the broader impact of globalisation there has been an increased demand for such schemes to be introduced, or at least considered through a feasibility study. . These include Philippines, Indonesia, Sri Lanka, Thailand, Bahrain and in Africa Nigeria, South Africa. Such schemes are commonly seen and described as among the most difficult of social insurance schemes to administer since they require a range of issues to be addressed in their administration such as:

- a) Benefit entitlement ordinarily depends not only on contributions having been paid for a prescribed period but also on the insured person being involuntarily unemployed, being available for work and being prepared to accept work identified as suitable.
- b) These conditions are difficult to meet and to monitor in many developing countries where the opportunities for informal sector activities may be plentiful.
- c) The establishment of employment services which can monitor entitlement and also find employment opportunities for the beneficiaries are not well established in many countries

Other countries have chosen to modify their provident funds in order to provide financial assistance to members who have lost their employment during an economic crisis (Indonesia, Tanzania) or are facing a different social risk. Such schemes designate part of an individual member's individual account as available to meet social security needs in respect of specific needs such as unemployment, housing or health care but subject to a minimum being designated as accessible only on retirement.

2.2 ILO efforts to extend social security coverage

During the last 5 years the ILO has given greater priority to the needs of the excluded and as to how they might be provided with not only more effective social security, but with better opportunities for escaping from poverty and also for avoiding the consequences of disease and disability. Discussion at the ILC in Geneva in 2001 focussed on the issue of how to extend coverage for social security. A strong consensus emerged among members' states, and representatives of employers and workers and this was set out in a detailed statement since published, *Social Security: A New Consensus* (Geneva, 2001). Member states were called upon to seek the support of the ILO and donor organisations to launch a global campaign that would take up the challenge of promoting the extension of coverage of social security. It was also decided that the ILO should:

- encourage governments to give social security coverage a higher priority and support its development through technical assistance,
- advise governments on the formulation of a national social security strategy and on ways to implement it,
- collect and disseminate examples of good practices,
- seek opportunities to limit and progressively remove the consequences of inequality attributable to gender or disability.

Technical cooperation activities were seen as a very important component in extending and improving social security coverage, in particular through:

- developing innovative approaches to help people in the informal economy to be brought within the reach of social protection,
- improving the governance, financing and administration of social security schemes,
- supporting and strengthening the participation of social partners in the development and management of social security schemes,
- reviewing the structure and financing of social security schemes to ensure that they correspond more closely to the needs and circumstances of excluded persons and in particular those who work in the informal economy : decentralised schemes are key to delivering relevant and affordable social security to the informal economy and to rural workers.

ILO-STEP programme in Africa

The ILO-STEP programme (Strategies and Tools against social Exclusion and Poverty – www.ilo.org/step-) is a global programme for combating poverty and social exclusion in the framework of the follow-up of major world social development summits held in Copenhagen and Geneva. The programme is the key operational tool of the Global Campaign on Social Security and Coverage for All. STEP's purpose is to extend social protection and combat social exclusion. The programme carries out field work, research, training and dissemination of knowledge in line with the strategic objective to increase the coverage and effectiveness of social protection for all. STEP's first priority is to extend social protection to poor and excluded people. Social protection is becoming more and more recognized as an essential tool in the fight against poverty and social exclusion and for promoting decent work. People who lack social protection suffer from a broader social exclusion, particularly with regard to access to education and training, to credit or employment. To reduce exclusion in a lasting manner, it is necessary to tackle its causes and symptoms. STEP combines its efforts towards

extending social protection with broader measures aimed at reducing social exclusion. This structuring is its second priority.

STEP operates at several levels. At the local level, STEP provides support to community and socio-professional organizations in the informal economy. As an example, through its project “Micro insurance for women in West Africa” carried out in Senegal, Burkina Faso, Guinea-Conakry and Benin, financed by United Nations Foundation, 100 micro-insurance schemes are supported with a potential population coverage of 190,000 people. At the intermediary level, it aims to strengthen the role of social partners, federations of organizations and support structures such as the UTM in Mali and UMSD in Senegal. At the national level, STEP strives to set up, by means of social dialogue, an enabling institutional and political environment to promote social protection and social inclusion for all in most of the French-speaking countries in Africa. At the international level, the development of technical and financial partnerships and the networking of actors are key features of STEP's strategy at all levels. STEP works with major actors such as WHO, WB, USAID among others. Since 1998, STEP has attracted donor support from Belgium and Portugal and also from UNF, UNDP, UNFPA, Netherlands, France, etc. to encourage the development of social protection systems in 23 African countries.

In addition, STEP initiated and manages the secretariat of the “Coordination among actors of the development of mutual health organisations in West and Central Africa “ (known as La Concertation in French -www.concertation-org-). This serves as a coalition of social partners from community-based organisations in the informal economy and also from public institutions and international organisations who can contribute to skill development through the direct exchange of experiences and knowledge regarding the operation of micro-insurance schemes. This network is active in 11 French-speaking countries and consists of more than 150 members.

Besides its primary social protection role in promoting improved access to health care, STEP in Africa is developing a cross-cutting approach, which aims to link social protection development with social exclusion policies which aim to increase earnings potential and skill development. Three projects on social exclusion have been established in Africa in the Gambia with UNDP support (for women and young people), in Rodriguez to improve living standards in 20 poor villages and in Portuguese speaking Africa.

The New Consensus on Social Security based on the ILC discussion of 2001 was taken up by the Social Protection Sector of the ILO and developed into the nucleus of the *Global Campaign on Social Security and Coverage for All*. This was launched by the ILO Director General, representatives of workers and employers, in Geneva in June 2003 with three complementary components aimed at the following objectives:

- **Improve the overall understanding of social security** through conducting research on extension efforts, documenting best practices worldwide, developing new mechanisms to reach out to workers in the informal economy and creating guidelines for extending basic benefit entitlement.
- **Achieve concrete improvements in social security coverage** through technical assistance projects focusing on a diagnosis of unfulfilled needs and ways to meet them. Undertake training and policy discussion with stakeholders, strengthening institutions and social dialogue, formulating action plans, establishing networks of support institutions and individuals and monitoring and evaluating results

- **Raise awareness and mobilise key actors and partnerships** in particular with possible donor countries and agencies to ensure a broad basis of support for the implementation of the campaign

Extension of coverage in Ghana

Ghana is an example of an African country with a social security scheme which displays a mix of strengths and weaknesses. It is a former British colony under which a pension scheme for pensionable public sector workers was established. The scheme was operated as a provident fund from 1965 to 1991 when it was converted into a defined benefit pension scheme with a contribution rate of 17.5 % of earnings. It is administered by an autonomous public body– the Social Security and National Insurance Trust Fund (SSNIT) and is open to the self-employed on a voluntary basis. In December 2002, SSNIT had 942,000 active members (10% of the working population). But of these there were only 5,400 voluntary members in spite of the fact that the self employed represent 70% of the working population.

The majority of the labour force, however, work in the informal economy or in agriculture and are outside the scope of the above schemes. In recent years, the government has been seeking ways of extending coverage to the self-employed and the majority of workers who are employed in the informal economy. Informal economy workers are reluctant to join SSNIT because:

- ◆ *Their needs are short-term and relate to their present source of income: not the long term*
- ◆ *They need help with their children's education*
- ◆ *Their income is irregular*
- ◆ *Health care is more important than a future pension*
- ◆ *Bureaucratic procedures*

In view of this reaction, SSNIT is proposing to modify the proposals so that the scheme would be open on a voluntary basis to:

- * *Informal economy workers*
- * *Formal sector workers who wish to supplement their SSNIT benefits*
- * *Ghanaians resident abroad*

Contributions paid to the proposed fund would be divided equally into two accounts – Account A to be paid out on retirement, invalidity or death (by lump sum or annuity) and Account B for withdrawal for short term needs. Contributory payment arrangements and the amount payable would be flexible. Funds would be invested in Treasury Bills and short term bank deposits. A number of issues remain to be decided including the arrangements for the payment, collection and recording of contributions.

The New Consensus recognised that the best way to provide income security is through decent work and priority should be accorded to creating opportunities for those in the informal economy to find work in the formal sector or for informal activities to be formalised and thus brought within the scope of social security coverage. Here training and education are key factors and, where circumstances permit, unemployment benefit schemes supported by employment services and training are an important component in social protection development. Linkages between employment generation, skill development and training and social security provide a basis for decent work and social protection and together are embraced by the theme of the Director General's report 'Working out of Poverty'. But for the majority of the labour force in sub-Saharan Africa the movement from the informal to the formal sector remains a slow, and in some countries, a reverse process, both with regard to

access to formal sector employment in a decent work environment and with regard to the income security and access to health care provided through a public social security scheme.

Ethiopia – A twin track approach to the extension of social security

Ethiopia is well advanced in the transition from a centrally planned to a market economy. Its progress has been inhibited, however, by internal and external conflict and by a range of adverse factors including drought, a poor infrastructure and limited economic growth. Social security programmes are undeveloped and are essentially limited to public pension programmes for civil servants and members of the armed forces and which also apply to employees of public or government undertakings many of which are being progressively privatised. Private sector development has resulted in the development of employer based schemes some of which provide access to health care and savings for retirement and which are underwritten by labour legislation and collective agreements which provide paid leave for maternity and sickness and coverage, at least in principle, against accident risks. But in practice there are weaknesses in the level and scope of the protection provided by employers and smaller employers are effectively excluded. In the informal economy, reliance for social support is restricted to family assistance or to community based arrangements. Some of these are well established with strong links to micro finance organisations which provide savings and credit facilities. The system of funeral societies or Iddirs is well established throughout the country.

In this context and with the financial support of the Government of France through a regional project, which focuses on extension of coverage in three developing countries, a project has been established in Ethiopia with two components, which together address two important elements of the social protection spectrum. The first component focuses on the need to provide adequate social security to the rapidly developing private sector. The ILO has established a tripartite consultative committee and meetings have been held to sensitise representatives of employers and workers. Questionnaires have been issued to employers to obtain information about existing arrangements and to seek views as to the structure of a social security scheme. This will provide the basis for designing and costing a social security scheme for private sector workers which corresponds with their needs.

The second component is focussed on the social protection needs of workers in the informal economy and on the poor: It targets in particular the need to improve their access to adequate health care and there is a special emphasis on social protection needs for women who play a leading part in community based support systems. The objective is to extend the scope of micro insurance schemes to finance and improve access to health care for those beyond the reach of public or employer based health care. This will involve identifying established NGOs (and Iddirs) with the capacity to work as partners.

Social security development strategies must therefore be formulated in the current development context. This involves making realistic choices as to what can be done and what can be achieved. Those choices need to take into account the national economic, social and political environment. They also need to take into account the existing social security provisions and the needs and circumstances and wishes of the stakeholders of these existing institutions. These stakeholders will be representatives of government, existing social security institutions, the social partners, civil society including NGOs who play an important role in the current system, and also community based schemes

This approach owes its origin not only to ILO principles of social dialogue but also to the spirit of the New Consensus discussions. It provides the basis for the formulation of a national

consensus and it is already being tested in three countries (Honduras, Mali and Sri Lanka) in a technical cooperation project financed by the Government of the Netherlands which commenced in early 2002. This project will continue – at least in its first phase –until December 2003 - with backstopping support from Geneva on policy, legislation and coordination issues. Each country is responsible for executing its own project through a national coordinating committee including representatives of the stakeholders and ILO specialists. Training was provided for national stakeholders to facilitate their participation in the key outputs of the project as set out below:

- a national diagnosis of social security provisions and needs with particular reference to the extension of coverage of the excluded
- based on the diagnosis, the formulation of a national action plan which will focus on priority issues for implementation. In each country the national diagnosis has now been completed and preparations are being made to formulate the national action plan.

Extending social security in Portuguese speaking Africa

At present, coverage for social security in these countries is effectively limited to salaried workers in both the public and private sector. However, collaboration between the countries with the support of the ILO and the Government of Portugal (a partner of the ILO in the Global Campaign on Social Security and Coverage for All) is assisting in the extension of social security to excluded groups through innovative policies,

Two technical cooperation projects are being executed by the ILO. The Pro-Social project “Development of Social Security in Portuguese speaking Africa” commenced in 1999. It has three phases with intervals between each to allow for reflection and harmonisation. The first phase opens the dialogue with the respective governments, formulates national social security policy and defines the various interventions to implement reforms. The second phase focuses on the social security organisations and undertakes a review of the structure and operation of each in the context of the tasks and roles expected of each in the new system. The third phase will be concerned with the implementation of recommendations.

This approach has made it possible to formulate a clear national social security policy in each country which will need to be set out in new legislation to cover groups presently excluded. A key instrument in the extension of coverage will be micro-insurance and the second project (STEP/Portugal) has been designed to address the needs of the excluded at three levels:

** At the local level, it provides support to community based organisations, micro-finance organisations and to labour and employer representatives in order to put in place micro-insurance systems and, in particular, mutual health organisations.*

** At the regional level, it supports federations of groups, associations, cooperatives as well as groups of mutual organisations so as to strengthen their local competence, their advisory capacity and the representation of mutual organisations with government health care providers and international organisations.*

** At the national level, it undertakes actions to sensitise and advocate with governments and development partners so as to increase awareness of the relevance of micro-insurance and to*

facilitate the implementation of programmes, incentives and mechanisms for the extension of social protection.

3. Main features in the extension of social security coverage

3.1. Diversity of exclusion

It has been seen above, that in many countries, the structure of the schemes introduced in Africa and even the legislation were strongly influenced by European practice. Whilst this might have been appropriate in the case of public servants, it has proved rather less so both in the design and the administration of social security in post-independence Africa.

The trends in personal coverage in sub-Saharan Africa and also elsewhere are inconsistent with classical development theory which assumes that as economies grow most workers will eventually be employed in regular wage employment in the formal sector. In some countries, the reverse has been the case with trends towards the informalisation of the labour force gathering strength. Many categories of persons have, in fact, been excluded from coverage because their employment conditions differ from those of the formal sector. This has been done either at the initiative of their employer who may seek to reduce labour costs or at least with agreement of the worker who is anxious to maximise his take-home pay.

In this context, gaps in coverage may take several forms:

- **Gaps in the range of protection provided** in that some contingencies may be covered such as employment injury but not others such as pensions or unemployment benefit;
- **Gaps in the level of benefit** in that it may be too low to provide adequate protection: a universal pension based on a percentage of the minimum may be available to all residents but an additional source of income support would be needed through an earnings related pension;
- **Gaps in the categories of persons covered:** a small minority of persons can look to the social security institution for social security benefits but the vast majority and those most in need, cannot. This is particularly the case for the most vulnerable groups of people, such as women and children, people infected by HIV/AIDS and migrant workers.

In each of these respects, low levels of social security coverage have existed in sub-Saharan Africa for many years. They have significant economic and social consequences but these are often not recognised in macro-economic planning and in Poverty Reduction Strategy Programmes. And within the social protection sector, there has been a tendency to focus attention on the development and strengthening of schemes covering the formal sector where needs are more easily addressed.

Furthermore, development has not always improved the position of the most vulnerable groups outside the labour force such as the disabled and the old who cannot count on family support and who have not been able to make their own provision. Many workers outside the formal sector such as the lower paid, the self-employed and casual and agricultural workers are likely to be obliged by the irregularity of their incomes and the uncertainty of their circumstances, to live on a day-to-day basis. They tend to give priority to short term risks, which threaten their earnings capacity such as health rather than to pensions. It is often argued

that this approach to social security is shortsighted but the realities of everyday life in the informal economy in developing countries leave limited options. On the other hand, many of the self-employed have a significant regular income and the need for a wide range of social protection.

3.2. Diversity of factors influencing extension of social protection strategies

The experience of the ILO has found that many factors are relevant to the scope of social security coverage:

- Universal or social assistance schemes are financed from general taxes, and in principle, such schemes should be easier to administer than contributory schemes but there are two major factors which may limit the development of these schemes because of their financial and administrative implications. On the one hand, in many developing countries tax collection is also a serious development problem. On the other hand, if the benefit is to be based on the application of an income or means test, this may also be difficult to administer with equality and efficiency.
- Protection against some contingencies may be more attractive than others. Thus among the poor in developing countries, access to affordable health care may be seen as more important than the future entitlement to a pension.

The strategies employed by different countries to the problem of extension of social security coverage can be summarised as follows although sometimes these are combined:

- Concentrate on coverage of formal sector workers with voluntary participation of the self employed (generally at a low level),
- Presume that economic development will gradually facilitate coverage of those who work for small excluded employers,
- Gradually extend coverage to the self-employed and devise special arrangements where appropriate within the limits of administrative capacity. The self-employed, however, have the opportunity to limit the level of their participation in the scheme – and to under-declare their earnings levels. This may result in a cross subsidy between employees and the self employed and indeed some countries outside Africa have sought to encourage participation of the self employed by subsidising their liability. (South Korea, Sri Lanka),
- Provide universal coverage under the law on a social insurance base but recognise that future compliance levels will be low (China and India have adopted policies which take into account the specific circumstances of workers outside the formal sector and support schemes adapted to the special needs of such workers),
- Foster the development of decentralised and community-based social protection schemes such as micro-insurance organisations and mutual associations: where possible with the development of linkages with public social security systems under which, for example, community schemes might operate as agents on behalf of public schemes.

Extending coverage to those excluded should not necessarily be seen as broadening the scope of an existing social security scheme. Even if the scheme is compulsory and based on pooling of risks and contributions, it will experience difficulties if it is not seen by those it covers as efficient, transparent and relevant. Too often, public schemes have failed to meet these requirements whether because of bad planning, internal mismanagement, inappropriate external interference or adverse political circumstances. The perceived credibility and capability of the scheme has implications for ensuring compliance and expanding coverage. **Good governance is essential for good social security and for its credibility.** If the system

fails to deliver it will become increasingly more difficult to ensure compliance and a spiral of administrative failures will follow resulting in widespread evasion, often effectively ignored by an increasingly inefficient, and perhaps demoralised administration. Public institutionalised social security schemes need to be based on a sound administrative and legislative structure which respects the roles and obligations of the stakeholders: those who pay contributions those who receive benefits and those who are charged with making such systems work. Social dialogue between employers, workers, administrators and policy makers is an essential ingredient. These elements have not been consistently present in public social security schemes in Africa and their absence has contributed to the administrative weaknesses and the low levels of coverage.

The support given by employers and workers associations and the priorities determined by the government will encourage the development of social security. In recent years, much greater emphasis has been placed on the need for good governance in institutionalised social security schemes but inadequate facilities and equipment including vehicles for inspection and computerisation, together with the need for improved training and personnel management have an adverse impact on performance. Most countries operate social security schemes designed to meet the needs and circumstances of formal sector workers and their employers. In this context, special efforts need to be made if the self employed and those who work for small employers are to be covered and a combination of this factor with the administrative problems referred to above lead may result in social security staff seeing efforts to extend coverage as a resource cost with a limited return. This may have adverse effect in compliance and cooperation and could gradually undermine both the financing and the credibility of the scheme.

Covering the self-employed

Many developing countries in other parts of the world have chosen to include the self-employed in the national social security scheme on a similar basis as the employed persons and it has been seen that countries have done this with varying success in North Africa. In other countries such as Turkey, Egypt and Iran special arrangements have been made to provide benefit coverage for the self-employed in the general social insurance scheme and also for casual workers. In general, the choice is based on administrative and political considerations. These may include:

- If coverage is compulsory can it be enforced? If it is voluntary what would be the consequences as regards compliance in respect of employed persons and what would be the risk of the voluntary participants practising adverse selection to the financial disadvantage of the scheme
- Do the self-employed have the same range of social protection needs?
- Are there seasonal fluctuations in their work?
- How can contributions be collected and on what basis? Thus if the scheme requires an earnings related contribution how can this be determined?

On the other hand, consideration of these factors may reveal that for many of the lower income self employed who are working in a family enterprise or in association with other people, access to health care is the priority and because there are other persons in similar circumstances there is scope for mutual support systems to be established in collaboration with health centres. Recognition of this combined with dissatisfaction in some countries with the service provided institutionalised social security systems has resulted in an increased reliance on community based and mutual support systems aimed primarily at meeting health care needs.

National health services financed by taxes may, in principle, provide universal coverage but the quality of treatment and its accessibility will depend on the extent to which the government can finance, from tax income, the envisaged services. Many such schemes therefore need to be supported by social health insurance under which earnings related contributions are levied from employers and workers. Apart from the universal coverage, efforts to extend coverage in developing countries have been limited and generally need to be supported by decentralised health care systems.

3.3. Diversity of actors and instruments towards the objective of extending coverage

It is apparent from the global experience in the implementation of reforms related to social security that a wide range of issues, actors and instruments need to be considered in addressing the objective of extending coverage. As governments, workers and employers' representatives conclude during the 89th session of the International Labour Conference in 2001, "of the highest priority are policies and initiatives which can bring social security to those who are excluded by existing schemes. In many countries these include employees in small workplaces, the self-employed, migrant workers, and people –many of them women- active in the informal economy. When coverage cannot be immediately provided to these groups, insurance –when appropriate on a voluntary basis- or other measures such as social assistance could be introduced and extend and, later, integrated into the social security system at a later stage when the value of the benefits has been demonstrated and it is economically sustainable to do so. Certain groups have different needs and some have very low contribution capacity. The successful extension of social security requires that these differences be taken into account. The potential for micro-insurance should also be rigorously explored: even if it cannot be the basis of a comprehensive social security system, it could be a useful first step, particularly in responding to people's urgent need for improved access to health care. Policies and initiatives on the extension of coverage should be formulated and adopted within the context of an integrated national security strategy."

The objective is thus, on the one hand, to find solutions that **take into account some key values regarding social protection** (on health, in particular) such as equity, efficiency, solidarity, responsibility of the various actors involved and democratic management and viability and, on the other hand, **pursue the key objective of the extension of social protection to the excluded and the poor in particular those in the informal economy.** There are essentially four options for extending social protection.

- ***Concentrating on extending and adapting statutory social insurance schemes.***

Some countries have been successful but important factors are political commitment, public resources and a mobile labour force. Other countries have tried to adapt the social security benefit and contribution structure to the priority needs and the contributory capacity of workers in the informal economy. In some countries, this has been achieved within the context of statutory social insurance schemes; in others through special public schemes for workers such as the self employed, domestic workers and workers in agriculture or construction.

- ***Encouraging voluntary coverage through contributory schemes***

Foster contributory schemes for workers in the informal economy particularly in low-income developing countries. Such countries have weak statutory schemes that often do not provide a strong base for a significant extension of coverage in the foreseeable future. Therefore, the

ILO's approach places emphasis on the participation of the poor and the reinforcement of their organisation, enabling people to acquire representation, visibility and negotiation power which allows them to defend their interests and to bring out their points of view at local, national and even international level (empowerment). In the field of social protection, the ILO is working in particular on the community-based micro insurance schemes as a potential solution to the extension of social protection, especially in low-income countries with weak public administration. These schemes are still few in number on a worldwide scale, but they receive more and more interest. This kind of system is, at least theoretically, liable to carry out various functions besides from risk prevention and its compensation through insurance. In the health field, for example, these schemes can contribute to the creation of a solvent service demand, stimulate the improvement of the quality of care, improve the efficiency of health care expenses, or set up health care services. They can also increase the efficiency in the allocation of resources as well as in the redistribution mechanisms towards the poor. They can play an important part in prevention and health education. They can make the representation of the users of health care services easier and contribute to democratic governance of the sector.

- ***Introducing universal benefits or services (such as health care) financed from taxes.***

Promote tax-financed schemes for vulnerable groups who may not be able to benefit from contributory schemes. These schemes are subject to administrative and financing difficulties which need to be taken into account in their design. In many developing countries, these constraints may be crucial factors..

- ***Establishing or extending means-tested benefits or services (social assistance) also with financing from taxes***

Many countries in the process of developing a national social security system will adopt a blend of these options. They also will have found that in this process it is no longer sufficient to rely on economic development as a source of momentum for the extension of coverage. Equally they will have found that it is no longer sufficient to rely on existing established schemes as administrators of the mechanism to extend coverage. Such schemes may have been designed at another time to meet a different need. The definition of the methods of extending social protection will come from an analysis of the problems (causes of exclusion) and the available capacity to tackle them. It should not be assumed, for example, that priority should be given to extending a social insurance pension scheme for employees to the self-employed. Research and consultation with representatives of all those concerned by the process should be undertaken as a base for planning and social dialogue should be the base for drafting the direction of future reforms. It is advisable to avoid adopting preconceived ideas or conclusions. Thus, it may be found that some short-term benefits such as those against loss of income due to invalidity, disability or death or access to health care are priorities rather than a retirement pension scheme.

It is very important for States to identify capacity at the institutional and financial levels. For the excluded, it is a case of considering their capacity to contribute and also their organizing possibilities and at what level. The determination of the modes of extension is also subject to political choices. It is up to each country to determine the objectives and values, on the basis of which it will define, according to its national characteristics, the strategies for extending social protection.

In many countries when establishing social security schemes, policy makers chose to exclude on what was seen as a temporary basis, sections of the labour force who were seen as difficult to include such as those who work for small employers or the self employed. The

inference was that it would be easier to include these later when the scheme was fully operational but too often they have been forgotten or at least left on one side, either because of an absence of political support, or because of a reluctance to assume new and perhaps costly obligations.

In countries which have a significant institutional and financial capacity (middle-income countries), one of the key issues will be the design of coverage mechanisms involving public subsidies or other forms of redistribution, either through public or private insurance schemes, or through assistance programmes aimed at particular target groups, women/children, for example. Subsidies are a means of redistribution which can bring into play the solidarity between rich and poor. The methodological questions concern the most effective and equitable formulae in the use of public subsidies.

In the health sector, the mechanisms of insurance demand subsidies (premium subsidies) as an alternative and/or supplementary formula to the traditional subsidizing supply represents a new channel to investigate in order to extend more effectively the coverage towards poor people. Subsidizing demand creates the possibility for beneficiaries to choose service providers, which has advantages in terms of equity vis-à-vis other protected persons and is an incentive to improve the quality of provision. Demand subsidy systems theoretically allow better targeting of subsidies at people who really need them. These systems can, however, have perverse effects, which must be tackled by effective regulation of social protection and a set of suitable incentives to the various actors involved. They also have the difficulty of requiring fluctuating amounts of subsidy as they depend on the number of excluded persons.

In poor countries, the capacity of the State generally makes it impossible to envisage significant redistribution through subsidies. The institutional weakness of social security institutions in most of these countries also limits the role that they can play in extending coverage. Here the efforts should focus on forms of insurance, which can be started at local level and the priority in terms of benefits (in particular sickness, family and funeral). These systems, grouped under the heading of micro-insurance, are somewhat varied but share at least three characteristics, apart from the use of insurance:

- they are at least partly financed by their members. The contribution is an amount affordable by the categories of persons concerned,
- membership is voluntary or automatic,
- the State is not responsible for creating or managing them

The level of participation and organization of members of systems is an important variable, experience showing that those with strong participation and organization are generally more effective than others.

Although those schemes could theoretically play an important role in the extension of social security coverage in some African countries, in reality, the systems often reveal considerable shortcomings and/or a lack of capacity to cover a large number of people. The fact remains that in all cases there are many methodological issues to be solved to achieve micro-insurance systems which really have the potential to cover a significant number of people in the long term.

Given that these systems are aimed at people with few resources, it is legitimate, in the interests of solidarity and equity, that they should have financial support (subsidies to service provision or insurance). This support is also an incentive to the creation and growth of systems. Unfortunately, in many countries, the possibilities of financial support are very limited or even non-existent. In the absence of redistribution mechanisms, these systems must be regarded as transitory form of protection.

In the case of persons benefiting from formal social protection but who are likely to be excluded because of their personal risk, the action must focus on regulation of social

protection systems and the development of transfers between insured persons (de facto “subsidizing” by low risk policy-holders of those at high risk). Depending on the context, and especially the existence or not of competition in the provision of insurance, the technical difficulties in remedying this type of exclusion are greater or less. In this area, too, there are considerable methodological needs.

The trend that seems to be emerging is that social protection will increasingly be provided in a particular country by several systems operating on a complementary basis. It is likely that these different systems will reflect initiatives by the State and the social partners and also civil society and the private commercial sector. This multiplicity of systems requires well-coordinated efforts in social and economic policy in order to bring greater cohesion and effectiveness to existing and future schemes. Such coordination is also necessary to allocate the available resources in an optimal manner, maintain the incentive nature of the measures advocated and reduce fraud and abuse. It requires strengthening of cooperation between public institutions (finance/health for example) and the other actors involved in the various mechanisms and those of the State’s regulatory function.

Extension of social protection – A practical example

The relevance of any approach depends on the characteristics of the group or contingency excluded. Where a public scheme is operating which covers some of those informal sector employment, it may be possible to extend the scheme either:

** For persons presently excluded under the law for administrative convenience because they work for small employers based on administrative convenience: consideration could be given to amending the law to provide for their inclusion*

** For persons covered under the law but excluded in practice: consideration could be given to improving key administrative systems such as registration, collection and enforcement or strengthening the legislation*

** For those persons who are unaware of the scheme or how it works or who are suspicious about its objectives or its efficiency: priority could be given to promote greater understanding and acceptance of social security principles and practice and confidence with the national scheme.*

Where the benefit provided does not seem to correspond to the needs of many of those covered or where they have no capacity to contribute: consideration could be given to reviewing the structure of the scheme and contemplating alternative ways of providing social security.

Where the scheme is clearly beyond the financial reach of the group: give consideration to modifying the scheme and/or to encouraging the development of an alternative scheme or mechanisms such as community based or other decentralised schemes for those in the informal economy or working on the land. Exceptionally, where resources permit consideration could be given to establishing a public tax financed scheme either means tested or universal.

It may therefore be appropriate to contemplate a range of proposals, which reflect the needs, the structure and the coverage of the scheme. In a developing sub Saharan country one approach might be:

- 1. For the formal sector public and private employees with regular employment and average earnings, develop a social insurance earnings related scheme covering both public and private sector including social health insurance.*
- 2. For professional and business self employed (such as tradesmen, artisans, taxi drivers, white collar self employed), consider compulsory coverage.*

3. *For the lower income self-employed, where national circumstances permit, contribution could be linked to the minimum wage to provide basis for entitlement to minimum pension and employment injury special protection. Alternatively feasibility could be examined of financing from taxes, health care and minimum pension for the poor. Otherwise, if access to health care is priority, support could be through community-based insurance schemes financed both through contribution and subsidies.*

4. Future steps – A special initiative for Africa

There is an increasing recognition among governments, employers and workers that the absence of adequate social security is not only undesirable for those who are excluded but also for the national economy and for labour relations and unemployment. The strong reliance, in many countries, on informal sector labour rather than on regular employees, may cut costs but it also leads to lower levels of social security entitlement and to fewer jobs in the labour market. Social security systems cannot themselves solve these problems. National macro-economic policies are needed to achieve the appropriate balance in the labour market through minimum wage legislation and progressive income tax policies. International strategies are necessary to secure agreement on strategic approaches to the extension of coverage in key areas. Commitments in this direction can be encouraged through a focus on the Millennium Development Goals and through the ILO Global Campaign Social Security and Coverage for all.

Consistency with national macroeconomic policy and with global objectives is important prerequisite but it is unlikely that, in any country, a single option will provide the right solution. Furthermore, the nature of the problem is such that the extension of social security to the excluded of Africa is going to take a long time but in the context of the Global Campaign on Social Security Coverage and the linkage with poverty reduction objectives a special effort should be made to gather support for the launching of the campaign in Africa..

A special social protection initiative for Africa

In recognition of the priority that it gives to the global objective of extending social security coverage to the excluded, and the specific significance that this issue has for the development of the Decent Work Concept in Africa and for the attainment of the Millennium Development Goals (health is directly related to 4 of the 8 MDG), the ILO proposes to launch a Special Initiative for Africa on the extension of coverage. This initiative will take as its starting point the following:

- ◆ *50 percent of Africans are living on less than \$1 a day,*
- ◆ *less than 10% of Africans in sub-Saharan countries are covered by social security,*
- ◆ *and in recognition of the fact that in many countries in sub Saharan Africa, existing public schemes have experienced considerable difficulty in meeting social protection needs and in providing social security beyond workers in the formal economy.*
- ◆ *The need to strengthen the resolve and capacity among ILO constituents in Africa through assisting in the development of programmes which will extend social security coverage and thus directly address the need to reduce poverty.*

Key activities of the initiative will include the following:

- ◆ *Reappraisal of existing social security programmes and the policies on which they are based with specific reference to issues of governance and the extension of coverage,*

- ◆ *Identification of priority social security needs and sources of financing,*
- ◆ *Review of the respective roles of government, the private sector, employers, workers, civil society in providing social protection,*
- ◆ *Devising relevant social security schemes for the informal economy and those living in rural areas,*
- ◆ *The identification of countries for pilot studies and national diagnoses of social security needs and provisions and the development of action plans,*
- ◆ *Gathering and disseminating best practices and models of innovative and effective strategies used to reach out and organise workers in the informal economy,*
- ◆ *Setting up mechanisms for the effective participation of trade union organisations in the informal economy in the process of social dialogue relating to social security,*
- ◆ *Developing programmes which link social security extension with other ILO social protection and employment programmes in order to develop integrated programmes and decent work principles for workers in the informal economy throughout Africa. Partnerships will be sought with other international organisations and with donor agencies.*

In order to encourage support for this initiative, the ILO and its tripartite constituents will educate donor countries and international organisations on the challenges of extending social security coverage in Africa, while at the same time it will build a framework for channelling resources and expertise into a coordinated programme of action to increase levels of coverage across Africa. It will also assist the donor community in achieving effective targeting of resources for the purpose of extending coverage on a country by country basis.