Achieving income security in old age for all Tanzanians:

a study into the feasibility of a universal social pension

Ministry of Labour, Employment and Youth Development
in collaboration with
HelpAge International
Dar es Salaam, Tanzania

May 2010

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This report summarises the findings of an investigation into the feasibility of achieving universal access to old age income security through a social pension in Tanzania. The study was conducted by the Ministry of Labour, Employment and Youth Development in collaboration with HelpAge International between November 2009 and April 2010. Funding for the research was provided by the German Federal Ministry of Economic Cooperation and Development. The opinions expressed herein are those of the authors and do not necessarily reflect the views of the Tanzanian Government, the German Government or HelpAge International. References to names of firms and commercial products do not imply their endorsement by the Governments of Tanzania or Germany or by HelpAge International and any failure to mention a particular firm or product is not a sign of disapproval.

Additional information about the feasibility study can be obtained from the Ministry of Labour, Employment and Youth Development, Hifadhi House Samora Avenue / Azikiwe Road, P.O Box 1422, Dar es Salaam. Alternatively HelpAge International can be contacted at 134 Mugombani Street, Mikocheni, PO BOX 9846, Dar es Salaam, Tanzania (www.helpage.org).

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Acknowledgements

In recent years, the Government of The United Republic of Tanzania (GOURT) has sought to embed social protection within national development strategy and policy frameworks. Key milestones include provisions relating to social protection within the *National Strategy for Growth and Reduction of Poverty (*the *MKUKUTA)* and the *National Social Security Policy*, 2003. In 2008 The Ministry of Labour, Employment and Youth Development, in partnership with the ILO, undertook a Social Protection Expenditure Performance Review which highlighted the need to investigate the feasibility of a universal non-contributory pension in Tanzania. This feasibility study is a product of this recommendation and reflects regional trends and evidence on the role of old age pensions as an effective instrument for poverty reduction and broader social and economic development.

The Ministry of Labour, Employment and Youth Development on behalf of the Government of Tanzania has worked in partnership with HelpAge International in order to deliver a detailed analysis of the feasibility of a universal non-contributory pension in Tanzania. The study has considered a wide range of questions relating to impact, implementation and financing of a pension and has also incorporated detailed social and policy analysis at the request of the wide ranging and diverse audience for this report.

Consequently, the Ministry would like to acknowledge the effective partnership between the Government of Tanzania and HelpAge International. In particular, gratitude is extended to the German Federal Ministry of Economic Cooperation and Development who provided essential funding for this work. Of particular importance to the Government, and deserves special mention, was the consultative approach that was taken to the study in which every effort that was taken to include all major political and administrative stakeholders in the process and incorporate responses to their concerns and comments.

With this in mind, the Ministry would also like to acknowledge the involvement of a broad range or Government, para-statal, non-governmental and private institutions, for their insights and expertise that have led to the delivery of such a robust and inclusive report [see Annex 1 for a full list of contributors].

This study is enriched by cross-governmental contributions which have ensured the full policy context has been well explored and understood. In particular recognition goes to: Private Office to the President; Ministry of Health and Social Welfare; Ministry of Education; Prime Minister's Office of Regional Administration and Local Government; Ministry of Finance and Economic Affairs; Ministry of Agriculture; and the Ministry of Community Development Gender and Children.

The valuable cooperation and involvement of Tanzanian para-statal organisations and the private sector have added value within the context of outline considerations for the possible delivery of a pension. Appreciation to a range of companies is expressed for their cooperation: ZAIN; Vodacom; NMB; National Bureau of Statistics; Tanzania Revenue Authority; TASAF; National Electoral Commission; NIDA; RITA, Postal Bank; and Postal Giro.

Finally, appreciation for the contribution of civil society and older Tanzanians themselves, international development partners, non-governmental organisations and research organisations is extended and in particular the Ministry would like to thank: UNDP; Save the Children; UNICEF; ILO; GTZ; DFID; World Bank; Kwa Wazee; SAWATA; Tanzania Gender Networking Programme; University of Dar es Salaam; REPOA; ESRF; Chama Cha Walimu; Youth Coalition; and the Older People of Kiomoto, Nshamba, Nkwenda and Mpiji.

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Acronyms

AIDS	Acquired Immune Deficiency Syndrome
AU	African Union
BDR	Births and Deaths Registration
CB-CCT	Community-based Conditional Cash Transfer Scheme
CDO	Community Development Officers
DEDs	District Executive Officer
DFID	Department for International Development
DHS	Demographic and Health Survey
DPEEE	Department for Poverty Eradication and Economic Empowerment
DRC	The Democratic Republic of the Congo
EAC	East African Community
EU	European Union
FBOs	Faith Based Organisations
GDP	Gross Domestic Product
GOURT	Government of The United Republic of Tanzania
GSM	Global System for Communication
GPRS	General Packet Radio Service
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
HIV	Human Immune-deficiency Virus
IGAs	Income- Generating Activities
ILO	International Labour Organization
IMF	International Monetary Fund
JSDF	Japan Social Development Fund
LAPF	Local Authority Pension Fund
LGAs	Local Government Authorities
MDRI	Multilateral Debt Relief Initiative
MEOs	MTAA Executive Officers
MKUKUTA	National Strategy for Growth and Reduction of Poverty
MoFEE	Ministry of Finance and Economic Empowerment
MoHSW	Ministry of Health and Social Welfare
MoLEYD	Ministry of Labour, Employment and Youth Development
MORETEA	Morogoro Retired Teachers Association
MoU	Memorandum of Understanding
NBS	National Bureau of Statistics
NEC	National Electoral Commission
NHBS	National Household Budget Survey
NIDA	National Identification Authority
NMB	National Micro-finance Bank
NSSF	National Social Security Fund (Kenya)
OPEC	Organization of the Petroleum Exporting Countries
OVCs	Orphans and Vulnerable Children
PLWHA	People Living With HIV/AIDS
PMO-RALG	Prime Minister's Office for Regional and Local Government
PMT	Proxy means testing
PSNP	Productive Safety Net Programme (Ethiopia)
PVR	Permanent Votes Register
REPOA	Research on Poverty Alleviation
RITA	Registration, Insolvency and Trusteeship Agency
SACCOs	Savings and Credit Cooperatives
SAGE	Social Assistance Grants for Empowerment programme (Uganda)
SMS	Short Message Service
SPER	Social Protection Performance and Expenditure Review (conducted by the ILO)
SWO	Social Welfare Officers
TASAF	Tanzania Social Action Fund
TASAF CB-CCT	Tanzania Social Action Fund's Community-based Conditional Cash Transfer
TGNP	Tanzania Gender Network Programme
TRA	Tanzania Revenue Authority
TZS	Tanzanian shillings
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
UNSTAT	United Nations Statistical Division
UNMIK	United Nations Interim Administrative Mission in Kosovo
UPE	Universal Primary Education
VEOs	Village Executive Officers
VICOBA	Village Community Banks
WEOs	Ward Executive Officers
UPE	Universal Primary Education
VEOs	Village Executive Officers

Contents

Acknowledgements 3

Summary 7

Introduction 9

Study scope and objectives 9
Approach and methodology 11

PART A: RATIONALE FOR A UNIVERSAL SOCIAL PENSION IN TANZANIA 13

A.1 The situation of older people in Tanzania 13
A.1.1 Older people's contribution to Tanzanian society 13
A.1.2 Ageing and demographic change in Tanzania 14
A.1.3 Older people and the urban-rural divide 16
A.1.4 Old age poverty in Tanzania 16
A.1.6 Older age, health and disability 18
A.1.7 Older people and children in the context of HIV and AIDS 19

A.2 A critical overview of social protection for older people in Tanzania 21
A.2.1 The decline of traditional social protection for older people 21
A.2.2 Challenges within the formal social security system 21
A.2.3 Non-contributory income security schemes in Tanzania 22
A.2.4 Healthcare user fee exemptions 23
A.2.5 Community Health Fund 23
A.2.6 Institutional care for older people 23
A.2.7 Livelihood promotion initiatives 23
A.2.8 Non-state provision of social protection for older people 26

PART B: THE POTENTIAL CONTRIBUTION OF A SOCIAL PENSION TO TANZANIAN SOCIAL AND ECONOMIC DEVELOPMENT 27

B.1 Likely impacts of a universal pension on poverty reduction in Tanzania 27
B.1.1 Impact on old age poverty 27
B.1.2 Impact on poverty amongst all members of beneficiary households 29
B.1.3 Impact on poverty amongst the entire population 30
B.1.4 Poverty impacts by household type 32

B.2 Impacts of a universal pension on broader national development processes 34
B.2.1 MKUKUTA Cluster I: Growth and reduction of income poverty 34
B.2.2 MKUKUTA Cluster II: Improvement of quality of life and social wellbeing 36
B.2.3 MKUKUTA Cluster III: Governance and Accountability 37

PART C: TOWARDS AN IMPLEMENTATION STRATEGY FOR A SOCIAL PENSION IN TANZANIA 42

C.1 Eligibility criteria for a social pension 42
C.1.1 Age of eligibility 42
C.1.2 Geographic location – including 'rural pensions' 43
C.1.3 Economic status 44
C.1.4 Receipt of other state benefit 46
C.1.5 Residence-based pensions 46

C.2 Setting the pension transfer value 47
C.2.1 Indexing pension levels 48
C.2.2 Payments to older couples 49
C.2.3 Increased pension payments for the 'older old' 49

C.3 Pension registration 49
C.3.1 Opportunities and challenges within Tanzania's civil registration systems 50
C.3.2 Conclusions on the feasibility of reliable eligibility verification 52
C.3.3 Options for registration system design 53
C.3.4 Conclusions on the scalability and sustainability of pension registration in the context of decentralisation 54

C.4 Payment delivery options 55
C.4.1 Lessons from the contributory pension system 55
C.4.2 Designing a payments mechanism for Tanzania's social pension 55
C.4.3 Options for pension payments delivery 56
C.4.4 Conclusions on the feasibility of pension payment delivery 60

PART D: FINANCING TANZANIA'S UNIVERSAL SOCIAL PENSION 63

D.1 The cost of a universal social pension 63
D.1.1 Costings analysis methodology 63
D.1.2 Results 64
D.1.3 Innovative ways of reducing the cost of universal old age income security 66

D.2 Can Tanzania afford a universal social pension? 66
D.2.1 The state of the Tanzanian economy 66
D.2.2 The fiscal sustainability of a universal social pension 66
D.2.3 Financing mechanisms 67

D.3 Conclusions on the affordability of a universal pension for older Tanzanians 70

PART E: CONCLUSION 71

Appendix I: List of completed consultations 73

Appendix II: Projections of the cost of a universal pension – Low growth scenario 78

Appendix III: Projections of the cost of a universal pension – Medium growth scenario 79

Appendix IV: Projections of the cost of a universal pension – High growth scenario 80

Appendix V: Projections of the cost of a universal pension in TZS 81

BIBLIOGRAPHY 82

Summary

Although older people constitute only a relatively small proportion of Tanzania's population, they play a key role in Tanzania's economic and social development. They are also vital to maintaining Tanzania's social fabric at a time of rapid social, economic and cultural change. However, old age poses a number of significant challenges which are amplified in the Tanzanian context: older people are less able to earn adequate income through work, are more susceptible to chronic illness and disability and more likely to experience social exclusion, rights abuse and discrimination. In the past, security in old age was provided through a range of social protection mechanisms based on the extended family and community structures. However, in Tanzania's situation of generalised insecurity, widespread poverty and rapid social and economic change, these traditional mechanisms are increasingly unable to cope. As a result, older people are frequently forced to continue working well into old age: indeed 73 per cent of older people remain economically active with most engaged in small-scale agriculture (ILO, 2008). As older people are less and less able to generate adequate income through their labour, old age poverty and destitution is becoming an increasingly common phenomenon. Moreover, old age poverty tends to have devastating impacts on older people's families – particularly children. Poverty rates amongst households containing an older person are 22.4 per cent higher than the national poverty rate and a large proportion of households in the poorest income deciles include older people.

In response to this situation, the Government of the United Republic of Tanzania has taken significant steps to provide formal social protection to older people. A strong social protection policy framework is emerging in the form of the *National Strategy for Growth and Reduction of Poverty* and the 2003 *Social Security Policy* and a range of provisions has been implemented, such as free access to healthcare services for poor older people. However, an enormous gap exists in the area of old age income security. Formal social security mechanisms have not reached the poor and are highly unlikely to offer a solution to old age poverty: only 6.5 per cent of the workforce is currently covered by formal social security and informalisation within the Tanzanian economy is increasing. While state-financed and non-governmental non-contributory income security schemes for older people do exist, they are extremely small-scale and appear to exhibit a range of constraints relating to scalability. The absence of income security for poor older people also serves to undermine the effectiveness of other social protection policy measures. For example, while exemption from healthcare user fees has been granted, implementation remains patchy and access to healthcare for poor older people and their dependants continues to be limited by a range of private costs. Poor households containing older people are also often unable to take advantage of livelihood promotion services and other public services due to income constraints.

However, this feasibility study has confirmed that a universal pension would constitute a major step forward in addressing these challenges. In the first instance, a universal social pension would make an enormous contribution to achieving national targets for reducing poverty. Analysis of the 2007 National Household Budget Survey conducted as part of this feasibility study has confirmed, for example, that a TZS 13,600/month transfer (TZS 16,586 in 2010 prices) to all older people aged 60 years and above would reduce the old age poverty rate by 57.9 per cent (i.e. from 33.0 per cent to 13.9 per cent). In addition, a universal social pension would reach almost one in four households and thereby reduce the national poverty rate by 11.9 per cent (i.e. from 33.4 per cent to 29.4 per cent). This would result in over 1.5 million people being lifted out of poverty. The same pension scenario would also reduce the national basic needs poverty gap by 17.0 per cent (i.e. from 9.9 per cent to 8.2 per cent). In this respect, economic analysis has also confirmed that, from a poverty reduction perspective, it would be more efficient to have a lower age threshold and lower benefit level than a higher age threshold and higher benefit level. Finally, a universal pension would largely benefit Tanzania's rural communities and thereby reduce the extent of spatial inequality in Tanzania.

However, the figures quoted above are the result of 'static' poverty analysis and only illustrate the so-called 'day-after' impact on poverty rates. The real impact is likely to be far greater due to a range of multiplier effects at household and community level. Clear evidence has emerged from existing small-scale schemes in Tanzania, as well as national social pension schemes elsewhere in Africa, that social pensions empower older people and their families to increase their productivity, better manage risk, increase access to public services and become more active members of their communities. A social pension would not only reduce old age poverty and vulnerability but would also contribute to a wide range of national development objectives. These include:

- improved child welfare, nutrition and access to education
- increased agricultural growth, micro-enterprise development and enhanced livelihoods
- stimulation of local economic growth and development
- extending access to financial services to rural communities

- promoting employment in the informal sector
- strengthening community-based support mechanisms for PLWHA and increasing access to HIV and AIDS treatment, care and support services
- increasing access to health and education services
- promoting decentralisation through local government capacity development
- promoting social cohesion and reducing social exclusion of older people and their families.

As such, the introduction of a universal social pension would make a major contribution towards achieving the objectives of the *National Strategy for Growth and Reduction of Poverty* and the Millennium Development Goals.

Having firmly established the rationale for a universal social pension in Tanzania and elaborated the relevance to national development strategy, this feasibility study has also provided a comprehensive analysis of the technical and fiscal feasibility of implementing a national scheme. The study has concluded that scalability and sustainability demands that eligibility criteria should be kept as simple as possible and limited to age and citizenship/residency. A social pension also needs to fit into the wider social security system and should therefore operate on a universal basis in the short-to-medium term. Tapered pension-testing could be introduced at a later date if necessary. Social pension administration systems could reliably harness existing civil registration systems, supplemented by other state and non-state mechanisms (e.g. voter cards, village registers, letters issued by village/ward executive officers (VEOs/WEOs) and religious certificates). Both on-demand and automated approaches to social pension registration are feasible in Tanzania although registration for a social pension would likely be based on annual registration windows at first with an open registration system being developed over time. It will be particularly important to consider measures to ensure improved death registration in order to minimise risk of fraud and this study proposes a range of options.

This feasibility study confirms that social pension benefits in Tanzania in the order of 20-30 per cent of GDP/capita would be appropriate and in line with regional and international standards. Delivery of social pension benefits across Tanzania will likely require a combination of low and high utility delivery mechanisms in the short term. A range of high utility solutions have been identified which could have broader developmental impacts – particularly in terms of expanding access to basic financial services in poor, rural communities.

The study offers a robust analysis of the cost, fiscal sustainability and financing options for a universal pension. A number of scenarios have been presented relating to age of eligibility and transfer level which demonstrate that the cost of a meaningful universal pension as a proportion of GDP ranges from 0.26 per cent (TZS 7,316 to people aged 70 years and above) to 1.28 per cent (TZS 16,586 to people aged 60 years and above). Assuming implementation in 2010, the cost of a universal pension in year one, as a proportion of government expenditure, ranges from 0.94 per cent (TZS 7,316 to people aged 70 years and above) to 4.69 per cent (TZS 16,586 to people aged 60 years and above). Although this is clearly a significant investment, it is important to note that, even assuming only very modest economic growth (2.4 per cent per annum), the cost of a universal pension as a proportion of GDP would fall by almost one third by 2025. Given expectations of continued strong economic growth in Tanzania, the cost of a social pension could fall by as much as 50 per cent over the same period. In this context, a universal social pension is clearly affordable in Tanzania and would not negatively impact on fiscal sustainability. Indeed it could be financed relatively quickly through a combination of expenditure switching, enhanced revenue generation and medium-term grant funding (primarily directed to investment costs).

To conclude, achieving old age income security is key to realising Tanzania's national development potential. Implementation of a universal social pension is both technically possible and fiscally sustainable and would contribute to achieving a wide range of national development objectives. The social pension represents a cost-effective investment in broad-based social and economic development and would be a major step towards achieving the rights set out in the Tanzanian Constitution.

Introduction

" The state authority shall make appropriate provisions for the realisation of a person's right to work, to self education and social welfare at times of old age, sickness or disability and in other cases of incapacity."

(Article 11(1) of the Constitution of the United Republic of Tanzania)

Despite provisions to the contrary in the Constitution of the United Republic of Tanzania, 96 per cent of older people in Tanzania do not have a secure income and have to work throughout old age (ILO, 2008). In the face of declining health and continuing livelihood responsibilities, older people are particularly vulnerable to chronic poverty. Moreover, old age poverty has wider societal impacts and tends to be transmitted onto other household and family members. Poverty rates among families that include older people are 22.4 per cent higher than the national average (40.9 per cent compared with 33.4 per cent). This is particularly relevant in Tanzania where older people are the primary carers for 40 per cent of Tanzania's 2 million orphans and vulnerable children (UNICEF, 2006) and 72 per cent of Tanzania's most vulnerable children (Department of Social Welfare, 2008). By 2015, the number of orphans and vulnerable children (OVC) is set to rise to 4 million and, in this context, addressing old age poverty will become increasingly key to tacking chronic poverty in Tanzania in the twenty-first century.

In response to this, the Government of the United Republic of Tanzania (GOURT) has made significant progress in the development of an effective social protection policy framework. This includes the National Strategy for Growth and Reduction of Poverty (the MKUKUTA) and the *National Social Security Policy*, 2003. In particular, the MKUKUTA (Cluster 2, Goal 4, Cluster Strategy A3) specifies the requirement to "explore a means of providing social protection through monthly pensions to meet basic needs". *The National Social Security Policy* (2003) aims to promote access to social security for all Tanzanians and specifically prioritises older people in this process. These policy provisions also reflect the Government of the United Republic of Tanzania's ratification of the African Union's Social Policy Framework for Africa which recommends extending social protection coverage through a 'minimum package' of essential healthcare and benefits for older people, children, persons with disabilities, informal workers and the unemployed (AU, 2008).

In 2008 the Ministry of Labour, Employment and Youth Development (MoLEYD) and the International Labour Organisation (ILO) conducted a Social Protection Performance and Expenditure Review (SPER). This study recommended that *"the feasibility of putting in place a universal pension for the elderly should be studied in more depth"* as part of preparations for implementing a package of social development investments including a universal pension, child benefit and targeted social assistance scheme (ILO, 2008, p.55). In January 2009, the Ministry of Finance and Economic Empowerment (MoFEE), Department for Poverty Eradication and Economic Empowerment (DPEEE) officially requested support from HelpAge International in the implementation of a feasibility study for a universal pension scheme. A Memorandum of Understanding (MoU) covering this study was signed between HelpAge International and the Ministry of Labour, Employment and Youth Affairs – the sector Ministry mandated to lead on social security in Tanzania.

Study scope and objectives

This feasibility study is primarily intended to provide a preliminary assessment of the opportunities and challenges facing the implementation of a universal social pension in Tanzania as part of the "minimum package" proposed within the African Union (AU) *Social Policy Framework for Africa*. It is not intended to serve as a detailed design document.

The report is divided into five parts. Part A provides an empirical rationale for a universal social pension in Tanzania. This is grounded in a comprehensive quantitative and qualitative account of the impact of the absence of income security in old age in Tanzania and analysis of the 2007 National Household Budget Survey. The significance of old age poverty and vulnerability to national social and economic development processes is explained throughout. Part A also provides an overview of Tanzania's *de facto* national social protection framework as it specifically relates to older people and identifies strengths, weaknesses and potential complementarities with a national universal pension scheme. Part A concludes that introduction of a universal of near-universal social pension scheme is the only feasible solution to old age income security in Tanzania and identifies important learning from a number of smaller-scale cash transfer initiatives that should inform social pension design.

Box 1. What is a social pension?

Social pensions are regular cash transfers paid to older citizens by government. Unlike contributory pensions, they do not require any previous contributions from the recipients. Instead, a social pension in Tanzania would acknowledge that all Tanzanians have paid some form of tax and make other contributions to national social and economic development.

Social pensions provide a basic minimum income and are critical to ensuring that older people do not fall into poverty. While the formal social security system is important, high levels of poverty and a large informal sector mean that contributory social security mechanisms are unable to address old age poverty in Tanzania.

Social pensions are proving extremely successful elsewhere in Africa with national schemes in a number of southern African countries and pilot schemes being implemented in Zambia, Kenya and Uganda. Evidence from these schemes has shown that social pensions not only reduce old age poverty but make wider contributions to achieving national social and economic development objectives.

Some social pensions attempt to target only the poorest older people. Alternatively social pensions can be 'pensions-tested' with eligibility depending on other pension income. However, universal social pensions are simplest and have a range of important advantages

Part B commences with a detailed analysis of the likely impacts of a national pension scheme in terms of direct 'day-after' poverty analysis using the 2007 National Household Budget Survey dataset. Impacts on poverty are confirmed as significant both in terms of direct beneficiaries – older people – and the population as a whole. For example, a transfer value of TZS 13,600 (in 2007 terms) provided to everyone aged over 60 would reduce the national poverty rate by 11.9 per cent – or 4 percentage points (from 33.4 per cent to 29.9 per cent post-transfer). This would result in over 1.5 million Tanzanians being lifted out of poverty based on National Bureau of Statistics population projections for 2007. The food poverty rate would be reduced by 16.0 per cent or 2.7 percentage points (from 16.6 per cent to 13.9 per cent) and the poverty gap for the same transfer value would be reduced by 17.0 per cent (from 9.9 per cent to 8.2 per cent), which considerably reduces the depth of poverty in the overall population.

However, It is important to note that the analysis presented is 'static' and therefore does not model household behavioural responses which might occur from a pension transfer in terms of labour market participation, returns on investment or improved risk management. As such, the longer-term impacts of a universal pension on poverty are likely to be even greater than the data suggests. Part B therefore goes on to describe longer-term impacts on economic growth and development. Evidence from both Tanzania and the region is presented on issues including: promotion of productive investment; stimulation of markets and local economic development; increased labour market participation; extension of financial services to rural communities; and increased take-up of micro-finance and agricultural development initiatives. Part B concludes with a discussion of the contribution that a national social pension could make to broader national social and economic development policy concerns. Relevant issues identified during consultations include: promotion of agricultural sector productivity and modernisation; improved nutrition and food security; improved child wellbeing and youth development; institutional development and decentralisation; social cohesion and traditional social protection systems; and social contract development.

Part C is the core of the report and provides a discussion of the key design and implementation considerations for a universal pension. Reference is made to evidence and learning that has already emerged from existing cash transfer initiatives targeting older people in Tanzania as well as relevant international examples. Consideration is given to the eligibility criteria (including age, economic status, geographic location and receipt of other state benefit or pension income) as well as to setting an appropriate monthly transfer level. Part C goes on to provide a detailed analysis of the options available with respect to registration system design (including age verification procedures), payments mechanisms and an appropriate institutional framework. A comprehensive account of opportunities and challenges presented by Tanzania's developing civil registration system is provided and the feasibility of reliable age verification is assessed. Recommendations are made for procedures which build on the experience to date in Tanzania but also reflect international best practice. Two key options for registration system design in Tanzania are then presented: on-demand registration mechanism and an automated registration mechanism based on strengthened village registration systems. A number of approaches to reducing fiduciary risk through improved death registration are also discussed.

Part C concludes by presenting options for pension payment delivery systems based in part on learning from the contributory pension system and the existing social transfer projects and partly on regional evidence. The chapter discusses the potential for a carefully designed payment mechanism to not only achieve reliability, accessibility and accountability but also provide opportunities for wider development impacts such as promotion of the extension of financial services. Three low-utility payment delivery options are discussed: direct transfers through the local government system, Post Giro and community-based delivery mechanisms as used in the Tanzania Social Action Fund's Community-based Conditional Cash Transfer (TASAF CB-CCT) programme. However, emphasis is placed on a number of higher-utility mechanisms including community-level commercial bank agents, mobile money services and the VICOBA network which have thepotential to maximise the developmental impact of the pension scheme both on direct beneficiaries and thewider community.

Part D provides costings analysis for a number of eligibility and transfer-level scenarios projected up to 2025 as per data from NBS (2006). Three alternative scenarios are used for projected GDP/capita growth. Costs are shown to range significantly depending on the scenarios for age eligibility and transfer level. For example, the cost of scenarios for over-60s range from 0.56 to 1.28 per cent of GDP; and for over-70s, around or below half a percent of GDP. Similar variations can be observed in the costs when expressed in TZS, US$ and as a proportion of current government expenditure. These costs are then set in the context of the wider economy to show how the cost will change as a proportion of GDP over time. In all three scenarios (high, medium and low growth), the cost of the pension is projected to fall over the next 15 years. Under the low growth scenario, the cost would fall by around 20 per cent, while in the high growth scenario, the cost of the scheme would halve. These projections indicate that the future costs of the pension would be sustainable over time. Indeed, the projected falls in cost would provide an opportunity to increase the real value of the pension or reallocate finances to other sectors.

Given the costings analysis above, Part D discusses the fiscal sustainability of a universal social pension and potential financing mechanisms. It is important to note that a universal pension established in 2010 at a cost of around 1 per cent of GDP is highly likely to reduce as a proportion of GDP over the longer term due to the fact that the size of the older population is expected to grow at a far slower rate than economic growth and government revenue projections. Indeed Tanzania is several decades away from the demographic shift experienced in many industrialised economies and, in the context of strong long-term economic growth forecasts, it is sensible to conclude that introduction of a basic social pension scheme would not have a negative impact on fiscal sustainability. On the contrary, a universal pension would likely promote economic growth and development. Part D concludes by focusing on the short-to-medium term potential for creating fiscal space for a pension costing in the order of 1 per cent of GDP. This could be done through one or more of the following strategies: reallocation of existing government spending; increased tax revenue; international grant-funding; increased government borrowing; or debt reduction. Although technically an option, seignorage (printing money) is not seen as a credible solution and is therefore not discussed. Preliminary findings on each of these options and the associated advantages and disadvantages of each are discussed.

Part E offers a final assessment of the institutional, political and fiscal feasibility in a context where scarce government resources need to be productively and efficiently invested as part an integrated national development strategy.

Approach and methodology

The approach to this feasibility study was informed by HelpAge International's prior experience in implementing feasibility studies in Sri Lanka, Malawi and Zanzibar as well as HelpAge International's experience in the design and implementation of large-scale social transfer schemes in Uganda, Kenya and Mozambique. In addition, the line of enquiry was informed by knowledge of social pension programme design in a range of countries in Africa and elsewhere.

The feasibility study involved 6 stages:

1. Literature review and gap analysis (November 2009)
2. Field visits to existing social transfer programmes in Tanzania (December 2009)
3. Semi-structured interviews with key stakeholders (December 2008 – February 2010)
4. Round-table discussions with civil registration agencies, social insurance funds and academicians (January 2010)
5. Desk-based econometric and costings analysis (January 2010)
6. Analysis and write-up (March – April 2010)

Selection of field visit sites

In order to gain an understanding of experience to date in Tanzania in the implementation of cash transfer schemes, the feasibility study team visited the TASAF CB-CCT programme in Chamwino and Kibaha districts, Morogoro municipality as well as the Kwa Wazee cash transfer programme in Muleba district. Semi-structured interviews were held with programme beneficiaries and staff and local government officials in a range of positions. While clearly these districts cannot be considered representative of all districts in Tanzania, the feasibility study team was able to develop and test a number of hypotheses around the feasibility of a national universal pension scheme that could then be triangulated at national level.

Key informant interviews: Sampling technique and associated issues

Key stakeholders were identified using a sampling technique known as 'snow balling'. This allowed the team to progressively identify people with relevant knowledge on issues that emerged during the study, to identify previously unknown stakeholders and harness the knowledge of people in key positions in relevant institutions in Tanzania. Every effort was made by the study team to consult as wide a range of stakeholders as possible with over 50 separate consultations held over a four-week period. A list of consultations completed is provided in Annex I.

Nonetheless, due to time limitations imposed on the study process, as well as availability of key officials, it is inevitable that some key individuals and organisations may not have been consulted. The Ministry of Labour, Employment and Youth Development recognises this limitation and welcomes further comment from these stakeholders. However, it is the opinion of the Ministry that the sampling limitations discussed have not fundamentally affected the validity of the report or its findings.

Quality assurance and oversight

The feasibility study team received guidance from the MoLEYD during the preliminary identification of stakeholders and provided regular comments and feedback throughout the process. Quality assurance of the final report was provided by the Social Security Technical Committee and the National Social Security Steering Committee.

Introduction: Summary of Key Points

- The right to social welfare in old age is enshrined within the Constitution of the United Republic of Tanzania.
- Old age pension schemes are a key component of the African Union's *Social Policy Framework* for Africa to which the Government of Tanzania is a signatory.
- Investigations into the feasibility of implementing a universal pension in Tanzania were specifically called for in the *National Strategy for Growth and Reduction of Poverty* and the 2008 *Social Protection Expenditure and Performance Review* (SPER).
- The feasibility study was conducted by the Ministry of Labour, Employment and Youth Development in collaboration with HelpAge International.

PART A: RATIONALE FOR A UNIVERSAL SOCIAL PENSION IN TANZANIA

A.1 The situation of older people in Tanzania

A.1.1 Older people's contribution to Tanzanian society

"The existence of Tanzania as a nation is an evidence of older peoples' contribution in political, economic, cultural and social arena."

GOURT (2003), *National Ageing Policy*

Older men and women have played important roles in Tanzanian society and continue to contribute in diverse and dynamic ways at household, community and national levels. Older people have contributed to the national economy both directly and indirectly throughout their lives with most (75 per cent) continuing to work well into old age (ILO, 2008). Older people's income tends be pooled and is invested in the development of younger generations. Although the majority of older people live in rural areas and work in the informal sector, it is also important to recognise that the majority continue to contribute to general tax revenue through consumption taxes on goods.

"Older people have toiled for the nation – they should now be supported."

Hon. Jasophat Makajanga,
Deputy Council Chairperson, Muleba District

At the household level older men and women play an increasingly important role in the future human capital development of the country. In the first instance, older people have always engaged in unpaid care work – particularly looking after children – for their families and, in doing so, have supported increased household productivity and human capital development. However, in recent times older people are increasingly taking on full-time caring roles. In the first instance over 50 per cent of Tanzania's two million Orphans and Vulnerable Children depend on older people to meet their food, health and educational needs. In this respect older people are key to the future prospects of millions of children. Moreover, the fact that the informal networks of support continue to change is increasingly leaving older women as primary carers for pre-school age children. The economics of survival force younger generations to make difficult decisions to support themselves and their families and as Tanzanian society becomes increasingly fragmented, older people increasingly serve as 'the base' for the wider family. People in Nshamba, Muleba district, described how children and grandchildren may travel but that they always return to the older person.

Older peoples' contribution is felt most keenly at the community level. Accounts from village councillors and committee members described how older people play a vital role in maintaining moral standards amongst younger generations. They are also considered the custodians of culture and history and play a significant role in promoting social cohesion through conflict resolution. Older people, particularly older men, have vast experience of mediating inter-household tensions. Their memories of debts and repayments as well as complex kinship relationships are vital for the social fabric of the community, which relies on a level of social reciprocity. Older women support the extended household and others in the community through caring for young babies and children to enable women to engage in productive activities.

Finally, it is important to remember that older people are not a homogenous group and that old age is not defined by a single set of finite capabilities. Men and women after 60 are likely to experience changing roles and responsibilities in line with changes in their own abilities and environments. Whereas the productive capacity of women and men in their early 60s is unlikely to have deteriorated dramatically in comparison with their capacity in their late 50s, people in their 70s and 80s are likely to contribute less in the way of household income while remaining an anchor for the family unit. Both monetary and in-kind contributions are an important part of later life in Tanzania that support society at all levels.

A.1.2 Ageing and demographic change in Tanzania

Although Tanzania is not yet facing the demographic shift experienced by many other countries around the world[1], the older population is growing due to increasing life expectancy. In 1978 life expectancy at birth in Tanzania was 44 years. This had risen to 51 years by 2002. By 2021, life expectancy is expected to reach 56.5 and 58.7 years for men and women respectively. However, it is important to note that life expectancy data in Tanzania reflects high child mortality rates and that many people live well beyond official life expectancy. In fact, in 2002, 60-year-old men and women could expect a further 14 and 16 years of life respectively. Women's life expectancy at age 60 is growing faster than that of men and is set to rise from 17.6 years in 2007 to 18.4 years by 2021 (ILO, 2008).

As a result, the number of older people in Tanzania has risen from 1.9 million in 2002 (national census data) to just over 2 million in 2010 (NBS census projections). By 2025, the number of older people in Tanzania will have increased by almost 50 per cent to around 3 million. However, as a result of Tanzania's continuing high fertility rate, the older population continues to grow at a slower pace than the overall population. As a proportion of the total population, the older population is therefore currently decreasing slightly: in 2010 the older population stands at 4.66 per cent of the total population but this is set fall to 4.55 per cent by 2025 (NBS projections).

Table A.1 – Older population by five-year age groups and sex in Tanzania Mainland 2010[2]

	Total	Male	Female
60-64	624,664	299,056	325,808
65-69	438,221	208,085	230,136
70-74	373,232	174,309	198,923
75+	516,430	244,330	272,100
All Ages	41,914,311	20,624,614	21,289,697

Table A.2 Cumulative older population by five-year age groups and sex in Tanzania Mainland 2010

	Total	Male	Female
60+	1,952,547	925,780	1,026,967
65+	1,327,883	626,724	701,159
70+	889,662	418,639	471,023
75+	516,430	244,330	272,100
All Ages	41,914,311	20,624,614	21,289,697

Table A.3 Cumulative older population in Tanzania Mainland 2010 (percentage of the total population)

	Total	Male	Female
60+	4.66%	2.21%	2.45%
65+	3.17%	1.50%	1.67%
70+	2.12%	1.00%	1.12%
75+	1.23%	0.58%	0.65%
All Ages		49.20%	50.80%

1 Currently Tanzania's dependency ratio stands at 929 persons either under 15 or over 64 per 1000 persons in the active age range of 15-64 (ILO, 2008). In the long term, the old age dependency ratio will increase while the youth dependency ratio will decrease. However this phenomenon remains a relatively distant challenge.

2 It is important to note that there are some discrepancies between population data from the NBS census projections and those of the NHBS 2007. For example, the NHBS estimates a higher population of older people than the census projections. On this basis, the data from each source needs to be understood as not being directly comparable to the other.

Despite constituting a small fraction of the overall population, according to the 2007 National Household Budget Survey (NHBS) older people are present in almost one in four households (23.2 per cent; own calculations based on NHBS, 2007). Some 17.6 per cent of households contain a person aged 65 or older, while 11.6 per cent of households contain someone over the age of 70 years (ibid). In rural areas older people are present in 26.5 per cent of all households (ibid).

Figure A.1 Change in the population of older people between 2010 and 2025 (Tanzania total)

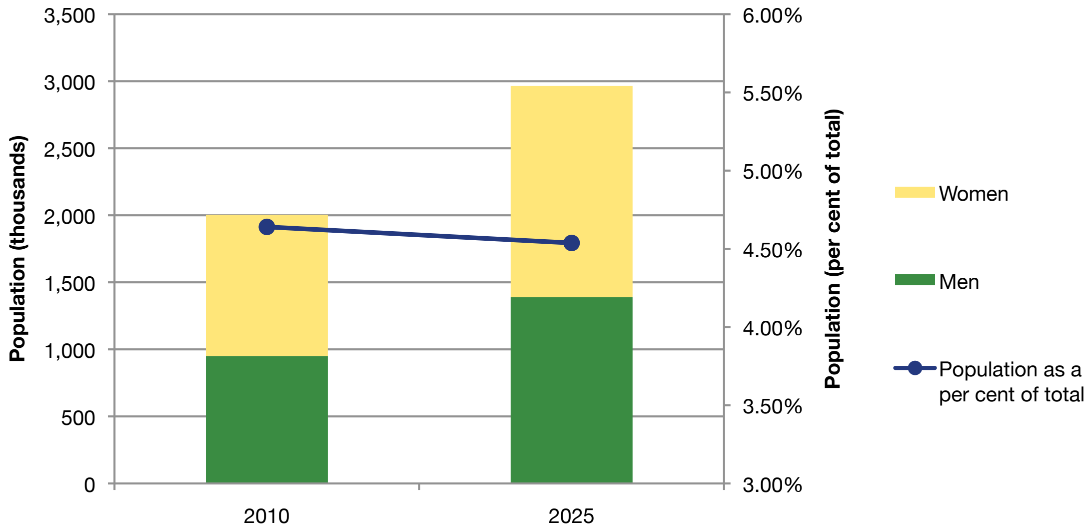


Table A.4 provides more comparative analysis of older people within the Tanzanian population structure based on analysis of the 2007 National Household Budget Survey (NHBS).

Table A.4 Household structure in Tanzania (percentage of population)

	Dar es Salaam	Other Areas	Urban	Rural Areas	Tanzania
All households (HH)					
HH with children (0-14)	60.42	73.61		78.72	75.97
HH with older people (60+)	11.36	17.14		26.45	23.20
HH with older people (65+)	7.67	12.64		20.28	17.59
HH with older people (70+)	5.14	8.75		13.25	11.60
HH with children (7-14)	36.85	49.30		56.54	53.24
HH with 1-2 children	44.61	44.42		37.63	39.62
HH with 3-5 children	15.09	26.88		35.16	31.63
HH with 6 or more children	0.72	2.31		5.93	4.72
HH with male household head	75.62	69.90		77.07	75.55
HH with female household head	24.38	30.10		22.93	24.45
HH without working age members (15-59)	1.28	3.69		6.43	5.41
Average HH size	3.7	4.3		4.9	4.6
Average Number of children (0-14)	1.2	1.8		2.3	2.1
Average Number of older people (65+)	0.09	0.15		0.25	0.21

Source: own calculations based on NHBS 2007

A.1.3 Older people and the urban-rural divide

Consultations with a range of individuals and organisations suggested that older people largely reside in Tanzania's rural areas. Interrogation of the NHBS (2007) confirms this – almost 82 per cent of people aged 60 years and above reside in rural areas. This compares with around 75 per cent for Tanzania as a whole. With growing rural-urban migration, older people are becoming increasingly concentrated in rural areas.

Table A.5 Distribution of population by geographical area

	Dar es Salaam	Other Urban Areas	Rural Areas
All individuals	7.44	17.65	74.91
Children	5.52	16.48	78.00
Adults	9.47	19.14	71.39
Older people (60+)	4.59	13.82	81.59

Source: own calculations based on NHBS 2007

Although older people in Tanzania are largely located in rural areas – where poverty is most concentrated – those in Tanzania's urban centres are likely to receive less social support than their rural counterparts as the attitudinal changes which accompany urbanisation tend to weaken traditional social protection systems over time.

A.1.4 Old age poverty in Tanzania

Consultations with a wide range of stakeholders at both local and national levels confirmed that older people constitute a significant proportion of the most vulnerable in Tanzanian society and that poverty and vulnerability is correlated with old age. Older women in particular were reported to be especially vulnerable. In order to corroborate this qualitative data, the National Household Budget Survey (2007) was analysed to quantify old age poverty in Tanzania.[3] Table A.6 provides the results of this analysis with poverty indicators disaggregated by sex, age and household type, along the line proposed by Gassmann and Behrendt (2006). Moreover, it assesses the size of the poverty gap and of the ultra-poverty gaps amongst households with older people in comparison with those without older people.

Tanzania is characterised by a situation of widespread and generalised insecurity whereby a large proportion of the population are either poor or at risk of falling into poverty. On one level, it is therefore unsurprising that poverty amongst older people appears similar to poverty amongst other age groups. However, not only is it likely that this data is affected by the small number of older people receiving formal social security payments but, as discussed above, it is widely recognised that old age poverty tends to be underestimated in household budget surveys. Considerable evidence exists that not only are older people often discriminated against within household financial decision-making but they often also voluntarily direct household resources in favour of children rather than maximising their own welfare. Finally, assumptions contained within standard equivalence scales rarely take account of the high medical costs incurred by older people (or would need to be incurred to maintain welfare standards). As a result, poverty analysts in a number of countries are considering alternative equivalence scales which tend to indicate significantly higher poverty rates amongst older people.

3 Following Gassmann and Behrendt (2006) expenditure – excluding large durable items, rent and imputed rent, medical, education, water and telephone expenses – per equivalent adult was chosen as the consumption indicator. This is also the consumption indicator used by the Tanzanian National Bureau of Statistics to measure poverty. The equivalence scale proposed by the NBS was also utilised and details are presented in annex II. The NHBS sample (on which the analysis was based) was restricted from the original 10,463 to 10,404 households: one household was eliminated from the sample because of an error in its identification code and 58 households were removed because the data on their incomes and expenses was missing. For the computation of the poverty indicators, the sample was restricted to 10.399 households as six households with a total expenditure higher than 700,000 have been considered as outliers. These restrictions to the survey sample are considered standard practice in econometric analysis of household budget surveys.

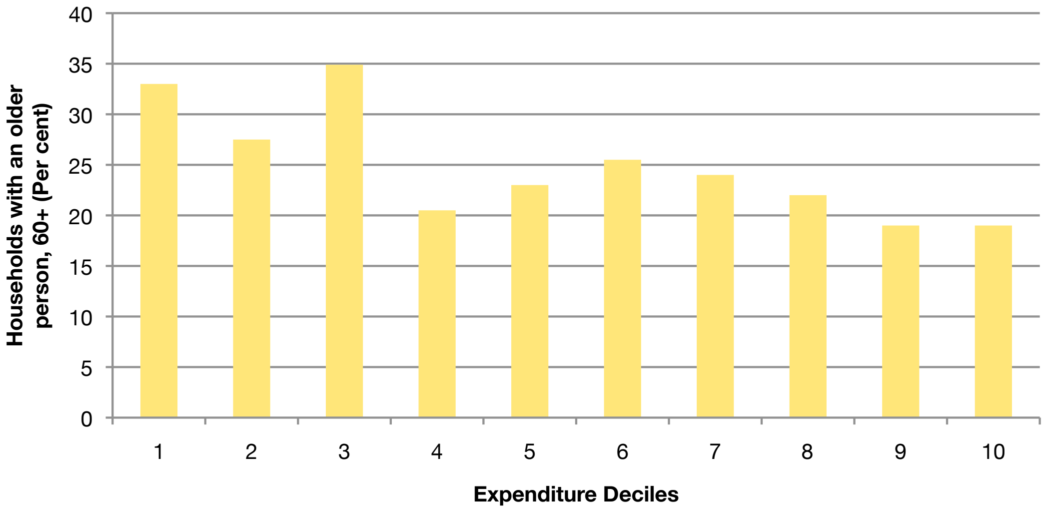
Table A.6 Poverty rates and poverty gap by age, sex and household type

Tanzania	Poverty Rate (headcount)		Poverty gap (as % of poverty line	
	Food	Basic needs	Food	Basic Needs
All individuals				
Children (0-14)	18.4	36.3	5.0	11.0
Working age adults (15-59)	15.1	30.9	4.0	9.0
Older people (60+)	15.3	33.0	4.7	10.0
Men	16.1	33.2	4.3	9.7
Women	16.9	33.6	4.5	10.1
Individuals living in the following Household type:				
With children (0-14)	17.6	35.2	4.7	10.5
With school age children (7-14)	19.3	38.6	5.3	11.5
With older people (60+)	19.8	40.9	6.1	12.8
With older people (65+)	20.0	39.3	6.0	12.5
With older people (70+)	20.8	38.4	6.3	12.7
With children(0-14) and older people (60+)	21.8	44.5	6.8	14.1
With 1 or 2 children	11.4	24.6	2.9	6.9
With 3-5 children	18.4	38.0	4.5	10.8
With 6 or more children	32.8	56.5	10.9	20.0
With male household head	16.2	33.4	4.3	9.7
With female household head	17.8	33.4	5.0	10.6
Single person household	5.5	11.4	2.0	3.7
Without working age members	12.8	27.3	4.5	12.8

Source: calculations based on NHBS 2007

More importantly, however, analysis of the NHBS data reveals that members of households containing older people tend to experience some of the highest poverty rates. For example, the basic needs poverty rate amongst members of the 23.2 per cent of households which contain someone aged 60 years or above stands at almost 41 per cent. This compares with a national poverty rate of 33.4 per cent. This suggests that old age poverty is having significant affects on a large portion of the Tanzanian population and being transmitted across generations, thereby affecting Tanzania's future as well as present development prospects. Indeed, around 30 per cent of the households in the poorest three income deciles contain an older person. In contrast, there are a notably lower number of households with an older person in the upper deciles due the tendency of older people to live in larger households.

Figure A.2 Proportion of individuals living in households with older people (aged 60 and above) by expenditure decile



A.1.5 Older people and work[4]

As old age poverty rates demonstrate, older people's ability to earn adequate income through work is often fundamentally undermined by the increased susceptibility to illness and disability, forced retirement and discrimination within the workplace.[5] Only 3.3 per cent of employed older people (1 per cent of older women and 5 percent of older men) remain formally employed (ILO, 2008) and, as a result, many older people in urban settings remain in informal work which is characterised by irregularity and the absence of secure contracts or social protection. Yet the majority of older people reside in rural areas and, as they become less able to earn an income through physical labour, destitution can only be avoided through reliance on family support, which in turn diverts scarce household resources away from productive investment or other members of the family such as children. In an effort to avoid this situation, the vast majority of older people continue to work well into old age: indeed 73 per cent of all older people (67 per cent of older women and 79 per cent of older men) continue to work in one form or another. Most older people are engaged in smallholder agriculture which is generally low paid, seasonal and strenuous (ILO, 2008). The Kwa Wazee project has confirmed that a basic level of income security allows older people to improve their productivity. When older people can rely on an alternative form of income, they can take on more care work for other community members and thereby support increased productivity in the household and wider community.

Older men and women tend to engage in similarly physically demanding productive activities such as working the land, transporting goods to sell and collect firewood. However, a recent Time-Use survey conducted by the National Bureau of Statistics and the Tanzania Gender Networking Programme (TGNP) found that the gender division of labour within rural livelihoods places particular burdens on older women[6] who provide unpaid care work for their families as well as providing labour to other households in their community (Tanzania Gender Networking Programme, 2009). Consultations carried out as part of this feasibility study also suggest that not all the care work undertaken by older people is entirely voluntary. In one community visited as part of this study it was reported that it was common for teenage parents, who felt unable to take on the burden of care for their children, to go in search of a new life in towns and cities leaving their children in the care of grandparents. In these cases remittances are said to be infrequent, unreliable and inadequate at best.

A.1.6 Older age, health and disability

Although there is a lack of health data disaggregated by age in Tanzania, it is widely acknowledged that a lifetime of strenuous manual labour, poor nutrition and healthcare and weak public health provision leads to the early onset of ageing and the chronic health problems associated with old age (Office of the Vice President, N.d). As a result, older people are not only more likely to experience ill-health than younger age groups but also tend to experience specific types of ill-health including chronic non-communicable conditions such as high blood pressure, diabetes, blindness, poor oral health, cataracts, strokes, elephantiasis,

4 A comprehensive analysis of labour force participation disaggregated by age is presented in the ILO's Social Protection Expenditure Review (2008) based on data from the 2006 Integrated Labour Force Survey.

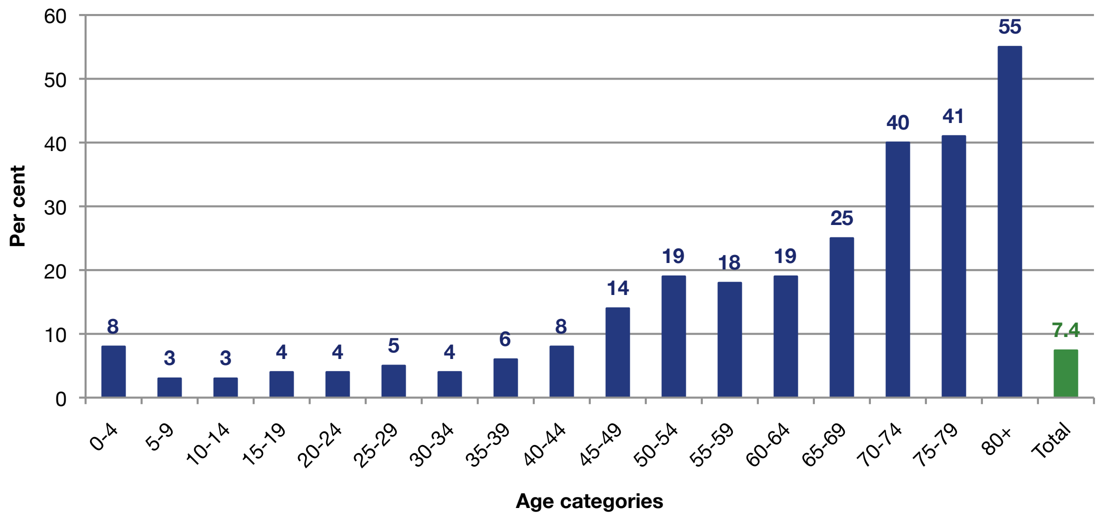
5 It was, for example, interesting to note that many local government vacancy notices observed during field visits specified a maximum age limit of 35 years for applicants.

6 For instance, 59 per cent of women aged over 50 participate in water collection compared to only 18 per cent of their male counterparts (TGNP, 2009).

hearing loss, dementia and malnutrition. These conditions tend to require frequent visits to health facilities and on-going medication. Old age is also strongly correlated with disability in Tanzania. Figure 1.3 shows the incidence of disability in five-year age groups and illustrates the strong correlation between ageing and risk of disability. The 2008 Tanzania Disability Survey also confirmed that, despite constituting only a small proportion of the overall population, older people make up around one-third of all disabled people in Tanzania.[7]

In response to the issues discussed above, the MoHSW has launched a national non-communicable diseases strategy which relies on a referrals system and free access to healthcare services for poor older people age 60 years and above as part of the wider user-fee exemption regime. However, full implementation of the exemption policy has taken time and knowledge among health workers at the local level remains patchy. Consequently, older people are often still required to pay for consultations. The Views of the People Survey found that only 15 per cent of older people had received free treatment by health service providers (Research and Analysis Working Group, United Republic of Tanzania, 2007). Consultations carried out with older people as part of this feasibility study also confirmed that local-level health professionals tend to lack the skills and/or medicines required to treat conditions associated with old age. As a result, older people are often referred to health care facilities at district level.[8] In this context, and despite the government's exemption of older people from health user fees, private costs associated with accessing medical care remain a key barrier to access – particularly for older women (NBS, 2004/5)

Figure A.3 Incidence of disability by age group



Source: *The Tanzania Disability* **Survey:** *Methodology and Overview of Results*

A.1.7 Older people and children in the context of HIV and AIDS

In Tanzania, the situations of older people and children are often intimately connected. UNICEF research in five sub-Saharan countries (Tanzania, Zimbabwe, Namibia, Uganda and Kenya) found that grandparents, particularly grandmothers, care for around 40 per cent of all orphans in Tanzania (UNICEF, 2006). Moreover, 72 per cent of Tanzania's most vulnerable children (MVC) are being cared for by grandparents (Department of Social Welfare, 2006).

In this context, older carers are frequently unable to meet cost-sharing requirements associated with access to health and education services. Even where dependants are eligible for free services (e.g. children under five years of age), private costs associated with access can prove prohibitive for the poorest older people. In the absence of income security achieved through social protection schemes such as social pensions, Tanzanian children affected by HIV and AIDS are increasingly forced out of school and into work. Between 1990 and 2000, there was a dramatic increase in labour-force participation rates among 10–14 year olds. Over the same period, estimated education transition matrices indicated an increased tendency to exit primary school.

7 Own calculations based on data provided in press release by Professor David Homeli Mwakyusa (MP), Minister of Health and Social Welfare regarding 2008 Tanzania Disability Survey on 10th June 2009. Available at: http://nbs.go.tz/index.php?option=com_phocadownload&view=category&id=71:disability

8 Evidence from focus group discussions and interviews in villages in Chamwino district

Secondly, as older people age, household resources may be directed to their care (e.g. medical bills) rather than invested in children. Research in rural Tanzania has documented that children with ill parents are more likely to have their schooling interrupted and to spend fewer hours in school prior to that (Ainsworth et al, 2005). It is also important to recognise that older people are themselves often cared for by children. According to UNAIDS (2008) *Report on the Global AIDS Epidemic,* the majority of children in sub-Saharan Africa who have lost a parent continue to live in the care of a surviving parent or family member, but often have to take on the responsibility of doing the housework, looking after siblings, grandparents and caring for ill or dying parent(s). Evidence from the MoHSW's 2004 report, *Rapid Appraisal, Analysis and Action Planning* shows that children who are less than 19 years old carry 9.3 per cent of the caring burden in Tanzania. This has a huge impact on children. In contrast, evidence from the region confirms that social pensions improve health and life expectancy of older people (Lloyd-Sherlock, 2000; Case, 2001, cited in Willmore, 2007) and therefore improve the capacity of older carers to look after children, rather than diverting household resources or obliging children to take on caring roles themselves.

Given that there were an estimated 970,000 OVC in mainland Tanzania in 2008 (UNAIDS, 2010) – about 11 per cent of the total child population – addressing the needs of older carers remains a key child welfare issue in Tanzania. A universal pension would deliver much needed support to the most vulnerable older carers and children without the risk of stigmatisation.

Box 2. Rights abuse and discrimination against Tanzania's older women

Tanzania has ratified international human rights instruments protecting the rights of women, including the *International Convention on Civil and Political Rights* (1966); the *Convention on the Elimination of all forms of Discrimination Against Women* (1979) and the *International Covenant on Economic, Social, and Cultural Rights* (1966). The country's *National Strategy for Growth and Reduction of Poverty* (MKUKUTA) states that discriminatory laws on women's rights should be reviewed and advocates against cultural practices denying women and youth access to assets. The *National Ageing Policy* commits the government to engage with other stakeholders to challenge outdated customs hindering relationships and development.

However, neither international conventions nor government policy have been fully implemented and women's rights continue to be violated. Indeed, in January 2009, Prime Minister Mizengo Pinda revealed in Parliament that 2,866 elderly people had been murdered in 10 regions over the past five years - an average of 573 a year - under the pretext of witchcraft and many more suffer abuse and marginalisation as a result of witchcraft allegations. When household resources are overstretched older widows can be perceived as a burden and are particularly vulnerable to witchcraft accusations or simply being discriminated against during intra-household resource allocation decisions. Researchers have identified the link between livelihood shocks and increased incidences of murder of older women in the name of witchcraft. In this context it has been argued that a "*potentially attractive policy option is to provide elderly women … with regular pensions, which would transform them from a net household economic liability into an asset*" (Miguel, 2005 cited in Willmore, 2007 p.25)**.**

Older women are typically unaware of their legal property rights and dominant traditional customary practices often undermine their right to inherit (HelpAge International, 1999). Tanzania has several legal jurisdictions. Inheritance and property ownership are governed by a series of laws based on an individual's religion, customs and clan: under customary law, widows cannot inherit property or land; Islamic law allows women to inherit one eighth of their husband's estate if they have children or one quarter of their husband's estate if they do not; and under the Indian Succession Act (1865) women can inherit 50 per cent of their husband's estate. The majority of Tanzanian women remain under customary jurisdiction. Even though two land laws (Land Law Act No. 4, 1999 and the Village Land Act No. 5, 1999) reversed discriminatory practices, customary law remains in force. As a result, women, particularly widows, continue to be discriminated against on issues of inheritance. Without property or land, women are less able to secure an income or be protected from abuse. Their situation is worsened by a lack of knowledge of their legal rights, of how to access appropriate information and where to seek impartial advice and guidance. Indeed 64 per cent of women aged 60+ and 87 per cent of women aged 65+ have no education or only pre-education, compared to 35 per cent and 56 per cent for men respectively (DHS, 2005, NBS). Consultations with the TGNP also suggested that property and land grabbing was a major factor contributing towards poverty amongst older women.

PART A.1 The situation of older people in Tanzania: summary of key findings

- There are just over 2 million older people in Tanzania - 4.64 per cent of the population.
- Older people continue to play a key role in Tanzania's economic and social development.
- Older people are present in almost one in four households nationally.
- Some 82 per cent of older people live in rural areas.
- Older people and their families are highly likely to experience poverty: poverty rates amongst households with older people are 22.4 per cent higher than the national poverty rate (40.9 per cent).
- Around 30 per cent of households in the poorest three income deciles include an older person.
- Older people are more likely to experience ill-health and disability than other age groups and constitute around 30 per cent of the disabled population nationally.
- Older people and their families face high health care costs associated with accessing health services for a range of chronic illnesses.
- Some 73 per cent of older people remain economically active – mostly in agriculture.
- Addressing old age poverty is key to addressing inter-generational poverty in a context where 53 per cent of Tanzania's 2 million orphans and vulnerable children are cared for by older people.
- Older people – particularly older women – frequently experience discrimination, rights abuse and social exclusion.

A.2 A critical overview of social protection for older people in Tanzania

This section of the feasibility study is designed to provide a brief overview of Tanzania's *de facto* social protection framework as it relates to older people as an introduction to the broader policy and strategic context in which a universal pension would be located. The reader is referred to the ILO's Social Protection Expenditure and Performance Review (2008) for a more comprehensive account.

A.2.1 The decline of traditional social protection for older people

At present very few income security arrangements exist in the informal sector. While a limited number of small-scale schemes have been established in recent years (see A.2.3 below), most workers in Tanzania depend on the extended family and clan for support in old age, invalidity and sickness. It is important to note that these mechanisms rely heavily on the principle of reciprocity, with support tending to be most reliable for those who are themselves likely to be able to offer support to others in the future. Moreover, a range of consultations confirmed that informal social protection systems are in decline – mainly as a result of attitudinal change, poverty and urbanisation/migration. In the latter case, older people are increasingly being left to fend for themselves in rural areas while working age adults migrate to urban centres in search of wage-earning opportunities. In these situations, remittances are at best unreliable and at worst, simply non-existent. On the other hand, informants in both the public and private sector consulted as part of this feasibility study commonly argued that the state should share a portion of the burden of supporting the poor and vulnerable and that the current absence of state-provided income security for older people placed a great strain on traditional social protection systems.

"Traditional ways of caring for the vulnerable are deteriorating because of poverty – a social pension would relieve hardship."

Mr. Jeremiah Nchimbu Acting Director, Ministry of Community Development

A.2.2 Challenges within the formal social security system

Historically, social security strategy in Tanzania has been based on the assumption that formal social security mechanisms could be extended to the informal sector. However, as elsewhere in the world, expanding access for the poor – most of who remain in a growing informal sector – seems unlikely. Most Tanzanian businesses are not formally registered and 65 per cent of Tanzanian workers are engaged in small-scale agriculture and as such are either self-employed or contributing unpaid labour to family members (ILO, 2008). In this context – where income may be irregular, unreliable or non-monetised – the potential for Tanzania's contributory social security mechanisms to combat old age poverty and insecurity remains limited at best. This is further complicated by weaknesses within the Tanzanian social security system, which remains fragmented, institutionally weak and unevenly regulated. Key problems include: institutional weaknesses (particularly in record keeping); poor coordination and regulation; inflation and the devaluation of pension incomes and failure to enforce mandatory employer and employee contributions. The continuing conflation of unemployment insurance with pension schemes that allow pension contributions to be withdrawn on becoming unemployed also serves to undermine the contributory pension system. Thus many of those currently contributing to pension schemes are unlikely to be able to rely on pension income in old age.

The contributory social security system is particularly ill-suited to protecting women from the risk of old age poverty. Although women's participation in the labour force has increased in recent times, women remain more likely than men to be either unemployed or working in temporary, unreliable, or lowly paid jobs where conditions of service do not include social security provisions. As the informalisation of Tanzania's economy proceeds, women's ability to access formal social security mechanisms to achieve access to income security in old age is likely to decline in relative terms. The ability of women to rely on formal social security systems for protection against poverty in old age is also affected by gender discrimination in the labour market, reduced income-earning capacity due to child–birth and caring responsibilities for children and other family members. These factors serve to undermine women's ability to make contributions during their supposed 'working years'. The failure of formal social security mechanisms to cater for women is clearly demonstrated by the fact that women constitute only around one-third of all contributors to social security funds (ILO, 2008).

In response to this situation, the 2003 *National Social Security Policy* sought to reduce fragmentation within the system, rationalise contribution rates and benefit structures, improve the quantity and quality of benefits and generally moving towards a social security system that is more consistent with ILO standards. In 2008 the Social Security Regulatory Authority was established through an Act of Parliament of the same name to spearhead the process of social security reform. However, despite the urgency of these reforms, substantial reductions in old age poverty will not be achieved through the contributory system in the foreseeable future. As elsewhere in the region, coverage has remained stubbornly low: only 6.5 per cent of the total workforce is covered by formal sector social security and only 700,000 people were making contributions to pension funds in 2005/06. Moreover, evidence suggests that the proportion of workers in formal employment is actually *decreasing,* resulting in the progressive informalisation of the Tanzanian economy. Although only 33 per cent of paid employees can be considered totally informal, only 32 per cent benefit from fully formal employment conditions. It is clear, in fact, that the majority of Tanzanian workers in paid employment experience some degree of informality, in that they benefit from a far more limited range of entitlements than might otherwise be associated with paid employment (ILO, 2008).[9] In summary, introduction of a universal or near-universal social pension scheme is the only feasible solution to old age income security in Tanzania. It will however be important to ensure that such a scheme is designed such that it also promotes the gradual expansion of the contributory social security system (see C.1.4 for further discussion on this point).

A.2.3 Non-contributory income security schemes in Tanzania

Investment in non-contributory income guarantee schemes, particularly by the state, has been slower than in many neighbouring countries. The only contemporaneous example of state-financed, non-contributory income security for older people in the informal sector is the Community-based Conditional Cash Transfer Scheme (CB-CCT) implemented by the Tanzanian Social Action Fund (TASAF).[10] TASAF was established by the GOURT in 2000 with the support of the World Bank. Phase 1 of the programme (2000-2004) was implemented in around 30 per cent of districts and focused on implementing income- generating activities (IGAs) for vulnerable groups, developing community-level infrastructure (such as schools, boreholes and dispensaries) and implementation of a cash-for-work scheme for food insecure households. Phase II (2005-2012) witnessed the expansion of TASAF's IGA activities across all districts in the country as well as the introduction of a small-scale community-based conditional cash transfer (CB-CCT) scheme for 2,500 poor households comprised of older people (aged 65+) and children.

The objective of the CB-CCT project is to test a) the potential for implementing a conditional cash transfer scheme through a social fund, and b) the potential for minimising administrative costs of such a scheme through use of community-based management approaches. The project is being rolled out in 80 villages in partnership with local government authorities and village government structures with elected project committees responsible for delivering the cash to beneficiaries and monitoring beneficiary compliance with a set of conditions related to up-take of health and education services. Beneficiaries are selected using an approach known as 'verified community-based targeting' which involves community-based pre-selection of the most vulnerable 50 per cent of households in the community. A proxy means test (PMT) questionnaire is then applied and all households are ranked according to vulnerability. Finally, the most vulnerable 15 per cent of households (according to the PMT formula) are enrolled in the programme subject to a second round of public validation. Since only households headed by someone aged 65 years and above are eligible, age is verified with reference to voters' cards and/

9 The accuracy of these figures is uncertain due to challenges relating to record keeping within the relevant institutions.

10 TASAF is financed from a World Bank loan to the Tanzanian government. The CB-CCT project is funded by a partnership including the GOURT, the Japanese Social Development Fund (JSDF), USAID, the World Bank and an agency related to OPEC.

or the village registers. Enrolled households receive 30 months of transfers on the basis of TZS 7,500/month and TZS 3,750 every two months for every older person and child respectively. If a targeted household does not meet the conditionality requirements (i.e. minimum attendance rates at school and health facilities), transfer payments are reduced or, ultimately, terminated. Ideally, a regular re-targeting exercise will be undertaken to establish which of the households can 'graduate' from the programme. A graduation rate of 30 per cent is forecast although the graduation mechanisms have not yet been tested.

Although it is largely funded by the JSDF, USAID, the World Bank and an agency related to OPEC, the TASAF CB-CCT scheme is the only state-managed and part state-funded non-contributory income security scheme in existence. In this respect it offers considerable learning that is of relevance to the design of a national social pension scheme. This is discussed in further depth in Box 3. [11]

A.2.4 Healthcare user fee exemptions

Free access to healthcare services has been granted to older people on a loosely defined means-tested basis for some time. However, as the 2003 National Ageing Policy acknowledges, implementation has been patchy as a result of lack of awareness of policy amongst local healthcare professionals, lack of clarity on procedures for verifying age and the apparent 'unsustainability' of means testing procedures at local level (MoLEYD, 2003). As a result of challenges within the means testing mechanism, and increasing recognition that older people have "paid their dues",[12] the Ministry of Health and Social Welfare has recently universalised the user-fee exemption to cover all older people. However, it is likely that implementation will remain challenging for some time yet. Moreover, the full impact of the exemption policy are unlikely to be felt while older people are unable to meet the private costs associated with accessing medical care for chronic illnesses (see A.1.6). In addition, it is important to note that increasing numbers of poor older people are caring for children who do not have access to user fee waivers. The health status of these children will therefore depend very much on the degree to which their older carers are able to access income.

A.2.5 Community Health Fund

The GOURT launched the Community Health Fund in 2001 with the support of the World Bank. However, up-take has remained extremely low and the scheme apparently continues to suffer from a number of design and institutional challenges. Coverage of the poor remains negligible and older people in particular appear either unable to make the required financial contributions or have become disenchanted with the scheme given the poor quality of old age healthcare services at local level. Older members of community health funds interviewed as part of this feasibility study frequently claimed that local health facilities lacked the expertise and/or drugs required to treat conditions associated with old age. Although expansion of health insurance is likely to remain an important part of government strategy, it seems unlikely that it will ever be an effective mechanism for increasing access to health services for poor older people.

A.2.6 Institutional care for older people

Tanzania has a small network of care homes for older people including 17 state-managed and 24 managed by faith-based organisations (FBOs). Although already inadequate, the social care system is likely to become increasingly over-burdened as the population of older people increases in the coming years. The Ministry of Health and Social Welfare has recognised this and argues that *"a paradigm shift must be promoted from institution-based social welfare to community-based social protection"* (MoHSW 2009 p.39). Senior staff in the Department of Social Welfare who were consulted as part of this feasibility study confirmed that achieving income security for older people was key to the sustainability of this 'paradigm shift' by promoting improved nutrition, health and independence amongst older people and reducing reliance on institutional care.[13]

A.2.7 Livelihood promotion initiatives

The government implements a range of initiatives designed to promote productivity amongst poor households and support the development of more sustainable livelihoods. For example, the Income Generating Activities implemented by TASAF including micro-finance, components of the Kilimokwanza initiative and the Ministry of Community Development's 'self help' scheme. However, consultations with a range of stakeholders suggest that consensus is emerging that that the poorest households are not able to maximise the opportunities presented by these initiatives and that achieving a basic level of income security would promote up-take of these services and maximise the impact of government policy in the productive sector.

11 Information on TASAF provided in an interview with Mr Amadeus Kamagenge, TASAF (30/11/09)

12 Older people's entitlement to free healthcare on the basis of past contributions to national development was emphasised in an interview with the Ministry of Health and Social Welfare's Chief Medical Officer/Policy Director (01/02/2010).

13 Consultations with the Acting Commissioner for Social Welfare (08/12/2009).

Box 3. Learning on cash transfer design and implementation in Tanzania

In assessing the options for social pension scheme design, it has been important to take note of the significant learning and evidence that has emerged from two small-scale cash transfer schemes currently being implemented in Tanzania – the TASAF CB-CCT and the *Kwa Wazee* cash transfer project in Muleba district. From the outset it is important to recognise that both the TASAF CB-CCT and *Kwa Wazee* project are excellent initiatives run by dedicated and skilled teams. Both projects offer real examples of best practice that should be adopted within the design of Tanzania's social pension scheme. These are identified below. However, it is equally important to identify challenges faced by these projects which might be relevant to the design of a national social pension scheme. The following is a summary of learning from these schemes based on consultations with programme designers and managers, local government officials, community leaders and beneficiaries.

1. Administrative simplicity, scalability and decentralisation

A national-scale social pension scheme will need to harness local government systems and structures in order to achieve scalability and sustainability. In this respect, experience in the implementation of TASAF's CB-CCT scheme through local government authorities (LGAs) is particularly informative. CB-CCT implementation is governed by MoUs between TASAF and LGAs with the District Executive Director (DED) delegating responsibility for implementation to a designated officer. However, the management capacity of local government authorities is often adversely affected by a number of factors, including: high number of vacant positions; high staff turnover; frequent transfers of staff between LGAs; absence of staff due to frequent training; competition for staff time from other initiatives; and retirement of key staff. In this context, it has become necessary essentially to limit the role of LGAs to that of 'facilitators' with day-to-day implementation being managed at community-level through project committees who, by providing their labour, essentially subsidise programme operations. However, as elsewhere in the region, there appear to be limits to the scalability of this approach. Indeed it is reportedly only possible to implement the programme in villages where committee structures are well-established and have substantial experience in managing TASAF's wider community projects. Local government staff involved in the project also suggested that where committees need to be re-elected every year, technical support is in constant demand and most committees will require re-training up to three times a year.

Achieving accurate targeting also appears unrealistically demanding: beneficiaries are selected using an approach known as 'verified community-based targeting' which involves community-based pre-selection of the most vulnerable 50 per cent of households in the community. A proxy means test (PMT) questionnaire is then applied and the 50 per cent of households are ranked according to vulnerability. Finally, the most vulnerable 15 per cent of households (according to the PMT formula) are enrolled in the programme subject to a second round of public validation. This process requires around seven days to implement in each village and would ideally need to be re-run at least every two to three years to allow an expected 30 per cent of households to 'graduate' from the programme. It is interesting to note that this expectation stands in contrast to the experience of the Kwa Wazee project which reported that, when targeting is successful and the poorest older people are reached, graduation is very rare.

Many community members interviewed as part of this feasibility study expressed a high level of dissatisfaction with the demands and outcomes of the targeting process. Not only did its implementation impose high private costs on the entire community but many beneficiaries and community leaders interviewed were extremely sceptical about the accuracy of targeting. All communities visited claimed that the PMT test had resulted in the exclusion of many of the poorest households and they could see no rationale to the ranking exercise. Indeed it is common knowledge that misunderstanding of the targeting questionnaire and/or failed attempts to pre-judge the proxy-means test resulted in targeting errors. Although the scale of the problem is difficult to establish at present, in the villages visited as part of this study it was clear that the demanding nature of a poorly understood or accepted targeting process had damaged public perceptions of the programme. As an older man from Mpiji village (Kibaha district) said, *"The process is too involved. We want something simple"*.

Although not implemented through local government, the Kwa Wazee project has encountered similar problems in implementing an accurate yet scalable and sustainable targeting system. Initially Kwa Wazee used village leaders to target poor households, with verification carried out by a form of questionnaire conducted by project staff. Accurately targeting around 90 beneficiaries was reported to take up to two months – 10-11 days in each village. However up to 60 per cent of households selected by community leaders were ineligible and the methodology had to be abandoned. The project has since attempted to use a community-based targeting approach. Although faster than the original methodology, in one out of three pilot villages it later came to light that local leaders had pre-determined who should be targeted – again resulting in inclusion errors. Finally, in order to achieve its objective of targeting the very poorest, village-level coverage of the Kwa Wazee project needs to vary enormously – from less than 5 per cent to over 30 per cent of older people in any one community. Such an approach is very unlikely to be possible through state structures and would therefore necessarily result in high inclusion and exclusion errors.

2. Targeting, social cohesion and social accountability

The potential for poverty targeting to generate community-level conflict and undermine social cohesion is widely recognised and was certainly evident in both the TASAF CB-CCT and Kwa Wazee projects. In the case of CB-CCT, the fact that 50 per cent of households were subjected to the proxy-means test assessment but only 15 per cent enrolled clearly led to anger and frustration at community level. Local-level project staff described how communities had not understood that so few people would be enrolled and reacted angrily when the final beneficiary quota was revealed at the end of the targeting process. In an effort to placate the public backlash, local project staff are often forced to suggest that more beneficiaries will be enrolled as finances become available. This is a common experience in such programmes which has serious negative impacts on state-citizen relations. While the stated purpose of the proxy-means-tested exercise is to add accountability to the targeting process, in fact few people seem to understand why certain people have been selected. Project officers are simply forced to explain that *"the computer makes the decision"*. Meanwhile, Kwa Wazee has experienced similar challenges. Although it is well documented that the project has strengthened informal social protection mechanisms by providing beneficiaries with the means to 'buy in' to social support networks, many beneficiaries interviewed complained that the means-testing process has been seen to create a 'favoured group'. As one beneficiary from Kihumurlo village (Muleba) explained, *"Jealous people broke my bicycle and now refuse to lend me salt. They even throw stones at the roof of my house at night"*. Such is the stigma associated with programmes that are overtly designed 'for the poor' that staff from the TASAF CB-CCT relate examples of eligible people refusing to be registered for the programme because they considered it humiliating. On the other hand, it was particularly impressive to note the frequent reference by TASAF project staff to older beneficiaries as 'clients' – a rare example of a high degree of service-orientation within a social transfer scheme, which should be applauded.

3. Age verification for older people

Both the TASAF CB-CCT and Kwa Wazee incorporate age thresholds as part of their eligibility criteria. TASAF staff reported that age verification tends to rely on household registers or voters' cards. Where these are not available, age verification is conducted with reference to local historical events (e.g. drought, famine, etc). Some districts (such as Chamwino) also maintain their own district-specific event register to aid in age verification for a number of purposes. Elsewhere, village secretaries may issue confirmation of an individual's age. Kwa Wazee identified baptism certificates as another reliable form of identification. In both TASAF and Kwa Wazee, project staff felt comfortable that existing age verification procedures were efficient and robust.

4. Innovation in payments delivery mechanisms

The TASAF CB-CCT and *Kwa Wazee* use very different payment mechanisms. The CB-CCT methodology largely relies on transferring funds to LGAs, who are then responsible for releasing them to project committees for onward disbursement to registered beneficiaries. Where an individual LGA is deemed to lack the capacity to do this, funds are transferred directly into a commercial bank account managed by the project committee. Official guidance is that women should act as committee treasurers wherever possible. However, due to logistical challenges and some loss of funds to theft, TASAF has recently held discussions with commercial banks to improve the payment mechanism. One option currently being investigated is the use of mobile money transfer technology. Meanwhile, Kwa Wazee requires beneficiaries to travel up to 10 km to one of four paypoints in the project area. As a result approximately 20 per cent of older beneficiaries nominate a deputy to collect the money on their behalf. Monitoring whether beneficiaries actually receive transfer payments from their deputies is a key task, with 4-5 per cent of beneficiaries not receiving the full transfer amount from their deputy. The Kwa Wazee team argued that, even though misappropriation of funds was currently a minor issue, monitoring was extremely important as it served as a deterrent. Finally, in a context where at least 60 per cent of project beneficiaries are illiterate, and where some older people are unable to identify larger bank notes, scope for exploitation is significant – particularly by traders. Kwa Wazee therefore seeks to use only small bank notes for transfer payments.

5. Economic empowerment and sustainable livelihoods

One concern sometimes raised is that small social transfers may be inadequate to have any meaningful impact on poverty. However, although TASAF's CB-CCT is only just starting to make payments, the Kwa Wazee project has already gathered significant evidence that small, regular, reliable payments have an enormous impact on a range of development concerns such as school attendance, nutrition and health status. These impacts are all the greater as beneficiary households are investing in small businesses and more able to access credit on reasonable terms rather than becoming dependent on project transfers,. As the coordinator of the project explained, once poor households have a small but guaranteed minimum income, "older people and grandchildren are becoming concerned for the future – not just living day-to-day". The project is also benefiting the wider community as the cash injection stimulates local economic development through increased demand for locally produced goods.

A.2.8 Non-state provision of social protection for older people

UN agencies, NGOs, FBOs, national civil society organisations and the private sector are becoming increasingly involved in social welfare provision in Tanzania. The average number of beneficiaries reached by locality-specific, nationally- and internationally-based NGOs is 400, 1,500 and 20,000 respectively. However, NGOs engaged in social protection are clustered in or near the coastal region and their scale of operations varies significantly (ILO, 2008).

Moreover, as elsewhere, the number of NGOs catering specifically to the needs of older people remains very small indeed. This is reported to be largely due to weak understanding of older people's needs and the inter-generational dimensions of poverty, misplaced assumptions about traditional social protection mechanisms, and continuing institutionalised discrimination against older people. Nonetheless, initiatives such as the Kwa Wazee cash transfer programme in Muleba district and Save the Children's cash transfer project in Lindi are starting to provide interesting data both in terms of impact and potential design considerations for a national scheme.

PART A.2 Social protection for older people in Tanzania: summary of findings

- Traditional social protection systems for older people are in decline due to a combination of widespread poverty and rapid socio-economic and attitudinal change.
- Formal social security mechanisms have not reached the poor and are highly unlikely to offer a solution to old age poverty: only 6.5 per cent of the workforce is currently covered by formal social security and informalisation within the Tanzanian economy is increasing.
- State-financed and non-governmental non-contributory income security schemes for older people exist but are extremely small-scale.
- Exemption from healthcare user fees has been granted on a means-tested basis and this policy is reportedly due to be universalised shortly. However, implementation remains patchy and access to health facilities for poor older people and their dependants continues to be limited by a range of private costs.
- Poor households containing older people are often unable to take advantage of livelihood promotion services and other public services due to income constraints.
- Simplicity is key to achieving social pension scalability and sustainability in Tanzania's decentralised environment.
- Social pension scheme designers should acknowledge the impact that a social pension could have on social relations, social cohesion and the development of the social contract in Tanzania. A universal pension should also promote social accountability.
- Clear evidence has emerged that social transfers empower older people and their families to increase their productivity, better manage risk and become active members of their communities.

PART B: THE POTENTIAL CONTRIBUTION OF A SOCIAL PENSION TO TANZANIAN SOCIAL AND ECONOMIC DEVELOPMENT

B.1 Likely impacts of a universal pension on poverty reduction in Tanzania

As section A.1.4 demonstrated, there is a high incidence of poverty amongst older people and households which contain an older person are significantly over-represented in the lowest deciles of consumption expenditure. This section examines the potential impact of a universal pension on poverty in Tanzania and presents the results of impact simulations based on the 2007 National Household Budget Survey dataset. Impacts of a universal pension on a) older people b) beneficiary households and c) the entire population are presented with reference to basic needs poverty rate, food poverty rate, basic needs poverty gap and food poverty gap.[14] In undertaking this analysis, individual consumption has been defined as the household consumption expenditure excluding medical, education, and housing and communication expenditures – per adult equivalent. Adult consumption expenditure has been equivalised to take into account variations in food requirements across gender and age groups. The analysis assumes that the whole income from the pension is devoted to finance consumption as defined above.

The impact analysis here uses transfer prices of TZS 6,000, 8,000, 10,000 and 13,600 per month expressed in 2007 terms to be consistent with the survey data.[15] The rationale for these transfer levels is presented in section C.3. The costing analysis presented in Part D has been conducted in 2010 prices.

Finally, it is important to note that the analysis presented in this chapter is 'static' and does not model the impact of household behavioural responses which might occur from a regular pension transfer in terms of labour market participation, returns on investment or improved risk management. As such, the longer-term impacts of a universal pension on poverty are likely to be far greater than the data suggests. These effects will be discussed in more detail later in this chapter.

B.1.1 Impact on old age poverty

This section presents the impact on old age poverty of a number of different monthly transfer levels when the age of eligibility is kept constant at 60 years and above, with higher transfer levels lifting more households out of poverty and closing the poverty gap among the poorest older people by a greater margin. A transfer of TZS 10,000 to those aged over 60 would reduce the food poverty rate by 58 per cent (from 15.3 per cent to 6.4 per cent). Furthermore, the same transfer would reduce the basic needs poverty rate by 45 per cent (from 33 per cent to 18.1 per cent post transfer) amongst older people. This translates into around 300,000 older people aged above 60 being lifted above the basic needs poverty line based on NBS population projections for 2007.[16] Even at the lower end of the scale, a monthly transfer of TZS 6,000 to those over 60 would reduce the basic needs poverty rate by 32.7 per cent (from 33 per cent to 22.2 per cent), which would result in over 200,000 older people being lifted above the basic needs poverty line. Table B.1 provides pre- and post-transfer basic needs and food poverty rates for the four pension transfer levels. Figure B.1 illustrates the percentage reductions in basic needs and food poverty rates for the four different pension transfer levels – i.e. the data in the far right-hand column of Table B.1.

14 The food poverty line refers to individuals with a mean per equivalent adult household expenditure below the food poverty line, while the poor are defined as individuals with a mean per equivalent adult household expenditure below the basic needs poverty line. The poverty gap and food poverty gap are measures that show how far people are below the poverty line or food poverty line. For example, a reduction in the poverty gap would show that beneficiaries, on average, are closer to moving out of poverty. If the poverty gap is closed entirely, then no-one will be in poverty.

15 A transfer of TZS 6,000 (2007 prices) is similar to the transfer level used in the Kwa Wazee project and represents approximately 14 per cent of the Tanzanian GDP per capita in 2007. A transfer of TZS 8,000 (2007 prices), is slightly above 70 per cent of the food poverty line and is approximately 18 per cent of GDP per capita in 2007. A transfer of TZS 10,000 (at 2007 prices) is roughly in line with the average for both developing and more developed countries, and amounts roughly to 23 per cent of GDP per capita. A transfer of TZS 13,600 (at 2007 prices) has been recently put forward by the ILO (TZS 15,000 in 2009 prices) which is approximately 31 per cent of GDP per capita in 2007.

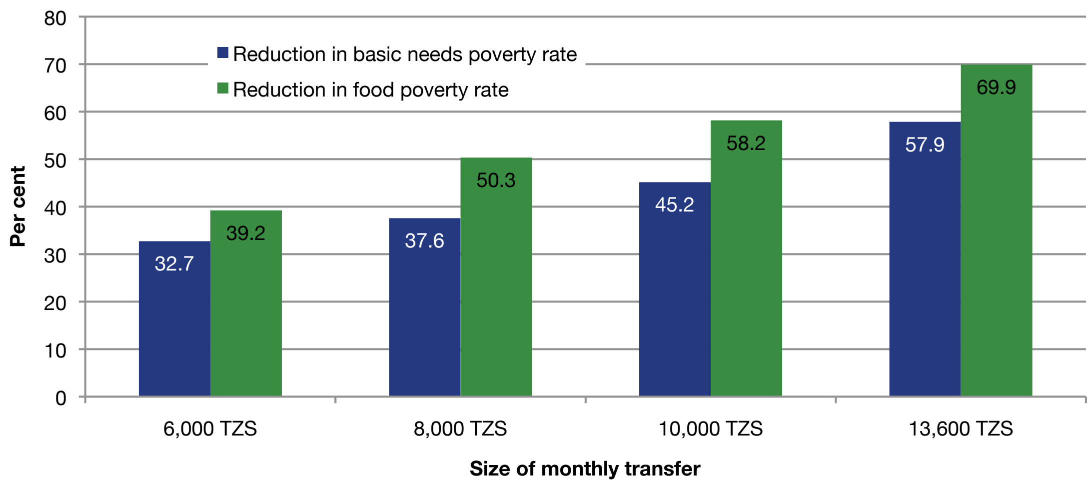
16 The 2007 NBS population projections estimate that there were 1,856,147 older people in Tanzania Mainland in 2007. A universal pension to those over 60 of value of TZS 10,000 would reduce the poverty rate from 33 per cent to 18.1 per cent. This indicates in the number of people below the poverty line falling from 600,000 to 300,000 which translates into 300,000 people being lifted out of poverty (rounded to the nearest 100,000).

Table B.1 Reduction in poverty rates among the beneficiary population (older people aged 60 and above)

Transfer level (in 2007 prices)	Poverty measure	Poverty rate before transfer	Poverty rate post transfer	% reduction in poverty rate
TZS 6,000	food poverty rate	15.3	9.3	39.2
	basic needs poverty rate	33.0	22.2	32.7
TZS 8,000	food poverty rate	15.3	7.6	50.3
	basic needs poverty rate	33.0	20.6	37.6
TZS 10,000	food poverty rate	15.3	6.4	58.2
	basic needs poverty rate	33.0	18.1	45.2
TZS 13,600	food poverty rate	15.3	4.6	69.9
	basic needs poverty rate	33.0	13.9	57.9

Source: own calculations based on NHBS data

Figure B.1 Reduction in old age poverty rates



Source: own calculations based on NHBS data

When we look at the poverty gap the potential impacts of a social transfer are also considerable. From a transfer of TZS 10,000 the food poverty gap for older people reduces by 70.2 per cent (from a value of 4.7 per cent to 1.4 per cent) and the basic needs poverty gap would be reduced by 59 per cent (from 10 per cent to 4.1 per cent). This data is presented in B.2 below.

Table B.2 Reduction in poverty gaps (as % of the poverty line) among older people aged 60 and above

Transfer level (in 2007 prices)	Poverty measure	Poverty gap transfer (%)	Poverty gap post transfer (%)	% reduction in poverty gap
TZS 6,000	food poverty gap	4.7	2.2	53.7
	basic needs poverty gap	10.0	5.7	42.7
TZS 8,000	food poverty gap	4.7	1.7	62.9
	basic needs poverty gap	10.0	4.8	51.6
TZS 10,000	food poverty gap	4.7	1.4	70.2
	basic needs poverty gap	10.0	4.1	59.0
TZS 13,600	food poverty gap	4.7	1.0	77.7
	basic needs poverty gap	10.0	3.1	69.2

Source: own calculations based on NHBS data

B.1.2 Impact on poverty amongst all members of beneficiary households

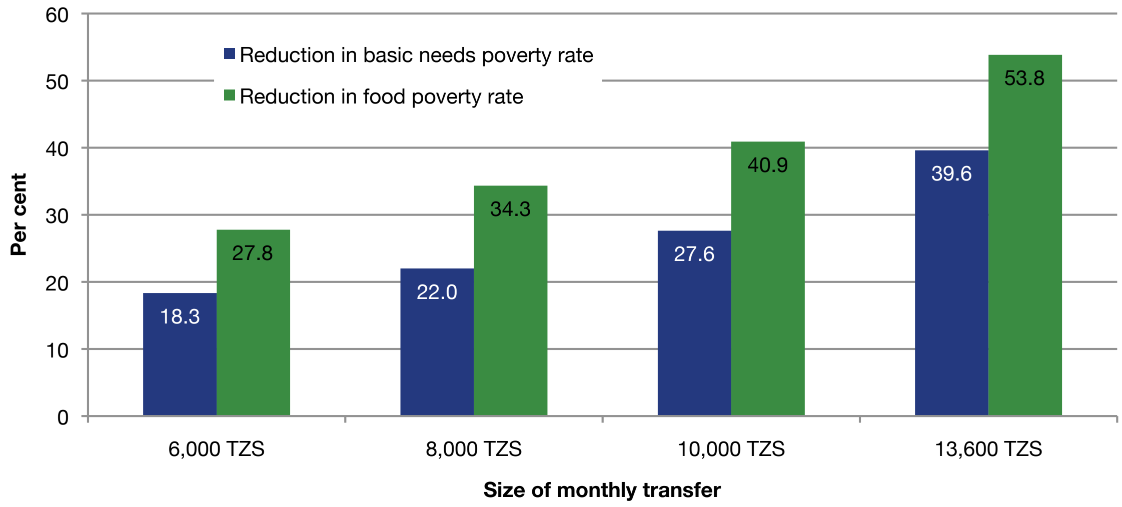
In Tanzania, poverty rates in households containing older people are significantly higher than the national average. This demonstrates that old-age poverty and vulnerability affects entire families and can be transmitted across generations. On the other hand, recipients of social pensions tend to pool their pension income at the household level, thereby benefiting the entire family. In the Tanzanian context, social pension income can be treated as household income in terms of poverty analysis. In this section we present the impact of a social pension on poverty rates amongst beneficiary households at the four different transfer levels with the age of eligibility kept constant at age 60 years and above. Table B.3 presents an overview of the impact data on basic needs and food poverty rates. For example, a transfer level of TZS 10,000 would lead to a 40.9 per cent reduction (from 19.8 per cent to 11.7 per cent) in the food poverty rate amongst the 23.2 per cent of Tanzanian households which would benefit from the pension. Similarly, the same transfer level would result in a reduction in the basic needs poverty rate of 27.6 per cent (from 40.9 per cent to 29.6 per cent). Figure B.2 illustrates the reduction in poverty rates for each of the different transfer levels – i.e. the data in the far right-hand column in Table B.3.

Table B.3 Reduction in poverty rates among the beneficiary households

Transfer level (in 2007 prices)	Poverty measure	Poverty rate before transfer	Poverty rate post transfer	% reduction in poverty rate
TZS 6,000	food poverty rate	19.8	14.3	27.8
	basic needs poverty rate	40.9	33.4	18.3
TZS 8,000	food poverty rate	19.8	13	34.3
	basic needs poverty rate	40.9	31.9	22.0
TZS 10,000	food poverty rate	19.8	11.7	40.9
	basic needs poverty rate	40.9	29.6	27.6
TZS 13,600	food poverty rate	19.8	9.1	53.8
	basic needs poverty rate	40.9	24.7	39.6

Source: own calculations based on NHBS data

Figure B.2 Reduction in poverty rates among individuals in beneficiary households



Source: own calculations based on NHBS data

Similarly, the depth of poverty amongst individuals living in households with older people would also be reduced. From a transfer of TZS 10,000 the basic needs poverty gap would be reduced by 43.8 per cent for individuals in beneficiary households (from 12.8 per cent to 7.2 per cent). This data is presented in Table B.4 below.

Table B.4 Reduction in poverty gaps (as % of the poverty line) among individuals in beneficiary households

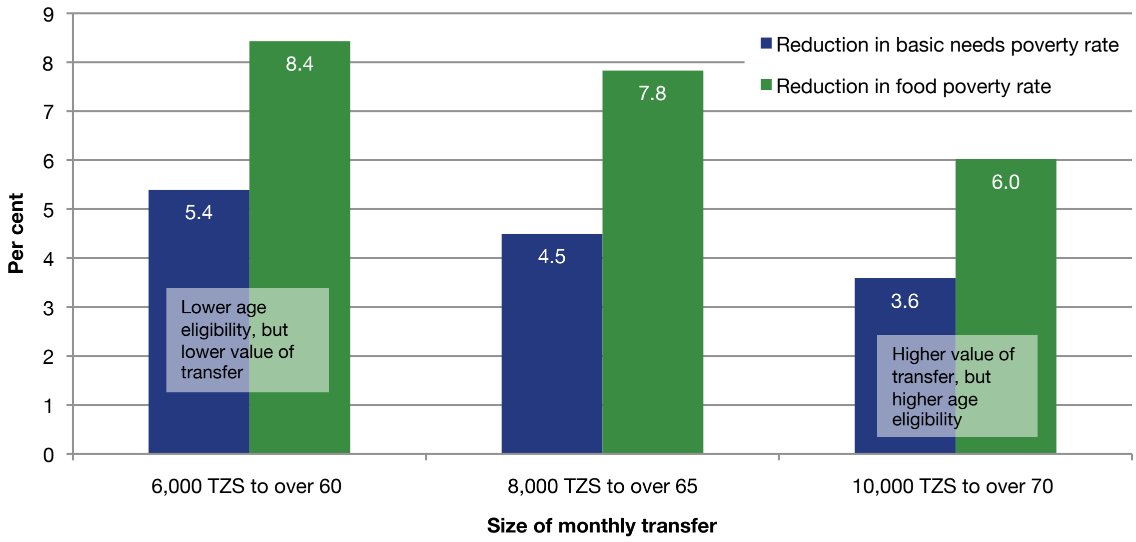
Transfer level (in 2007 prices)	Poverty gap	Poverty gap transfer (%)	Poverty gap post transfer (%)	% reduction in poverty gap
TZS 6,000	food poverty gap	6.1	3.9	36.7
	basic needs poverty gap	12.8	9.0	29.4
TZS 8,000	food poverty gap	6.1	3.3	45.2
	basic needs poverty gap	12.8	8.1	36.9
TZS 10,000	food poverty gap	6.1	2.9	52.3
	basic needs poverty gap	12.8	7.2	43.8
TZS 13,600	food poverty gap	6.1	2.3	62.5
	basic needs poverty gap	12.8	5.9	54.0

Source: own calculations based on NHBS data

B.1.3 Impact on poverty amongst the entire population

Despite the fact that older people constitute a small fraction of the Tanzanian population, a universal social pension would have significant impacts on national-level poverty and food poverty rates. Analysis conducted as part of this feasibility study has however confirmed that the scale of poverty reduction achieved by a pension would very much depend on age eligibility. A pension with lower age eligibility (e.g. 60 years and above) would benefit a far larger proportion of households than is the case with a higher age threshold (e.g. 70 years and above). The value of the transfer also influences the level of impact on poverty at national level, although not as much as the age of eligibility. For example, a transfer value of TZS 6,000 to those aged 60 and over reduces the poverty rate by 5.4 per cent (from 33.4 per cent to 31.6 per cent) and the food poverty rate by 8.4 per cent (from 16.6 per cent to 15.2 per cent). This is a far greater reduction in the poverty rate than a higher transfer value of TZS 10,000 provided to the smaller eligible population of those aged over 70. For the latter transfer option, the poverty rate would be reduced by 3.6 per cent (from 33.4 per cent to 32.2 per cent) and the food poverty rate by 6.0 per cent (16.6 per cent to 15.6 per cent). This data is illustrated in Figure B.3. It would therefore be far preferable from a national poverty reduction perspective to have a lower age threshold – 60 or 65 years and above – even if this means that the transfer level has to be reduced for budgetary reasons.

Figure B.3 Reduction in poverty rate and food poverty rate among the total population, by different transfer values and eligibility criteria



Source: own calculations based on NHBS data

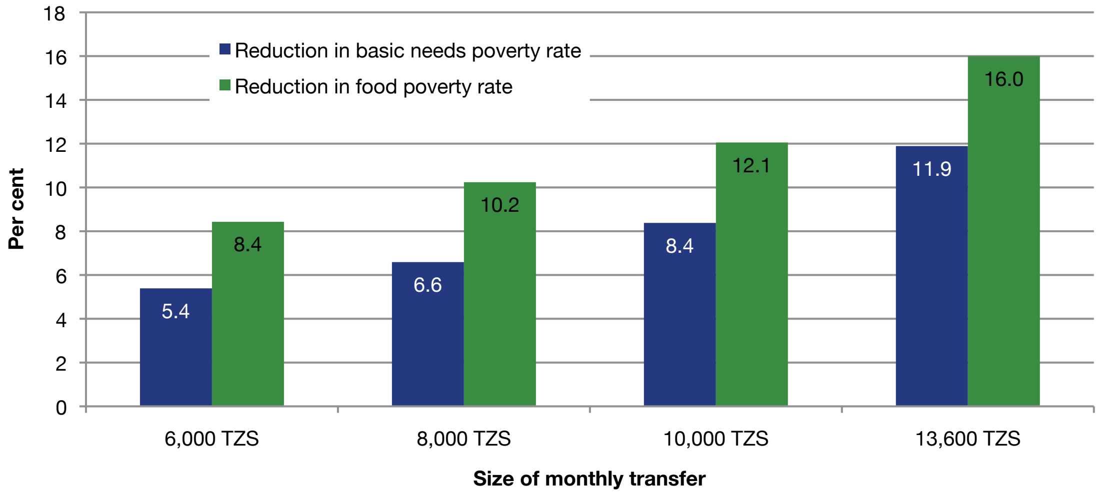
Given the above discussion, Table B.5 and Figure B.4 below provide details of the reductions in poverty rates that would be achieved by the introduction of a universal social pension scheme to those aged over 60 years at the four different transfer levels. For example, for a transfer value of TZS 10,000 provided to everyone aged over 60, the reduction in the basic needs poverty rate is 8.4 per cent (from 33.4 per cent to 30.6 per cent post-transfer). This would result in at least 1 million Tanzanians being lifted out of poverty based on the population projections for 2007 (NBS). For the same scenario, the food poverty rate would be reduced by 12 per cent (from 16.6 per cent to 14.6 per cent).

Table B.5 Reduction in national poverty indicators by a social pension (60+)

Transfer level (in 2007 prices)	Poverty indicator	Poverty rate before transfer (%)	Poverty rate post transfer (%)	% reduction in poverty rate
TZS 6,000	food poverty rate	16.6	15.2	8.4
	basic needs poverty rate	33.4	31.6	5.4
TZS 8,000	food poverty rate	16.6	14.9	10.2
	basic needs poverty rate	33.4	31.2	6.6
TZS 10,000	food poverty rate	16.6	14.6	12.1
	basic needs poverty rate	33.4	30.6	8.4
TZS 13,600	food poverty rate	16.6	13.9	16.0
	basic needs poverty rate	33.4	29.4	11.9

Source: own calculations based on NHBS data

Figure B.4 Reduction in poverty rate among the total population



Source: own calculations based on NHBS data

Similarly, Table B.6 below provides details of the impact on the national basic needs and food poverty gaps. For instance, a monthly pension of TZS 10,000 would reduce the basic needs poverty gap by 14.1 per cent (from 9.9 per cent to 8.5 per cent), which considerably reduces the depth of poverty in the overall population.

Table B.6 Reduction in poverty gaps (as % of the poverty line) for the total population

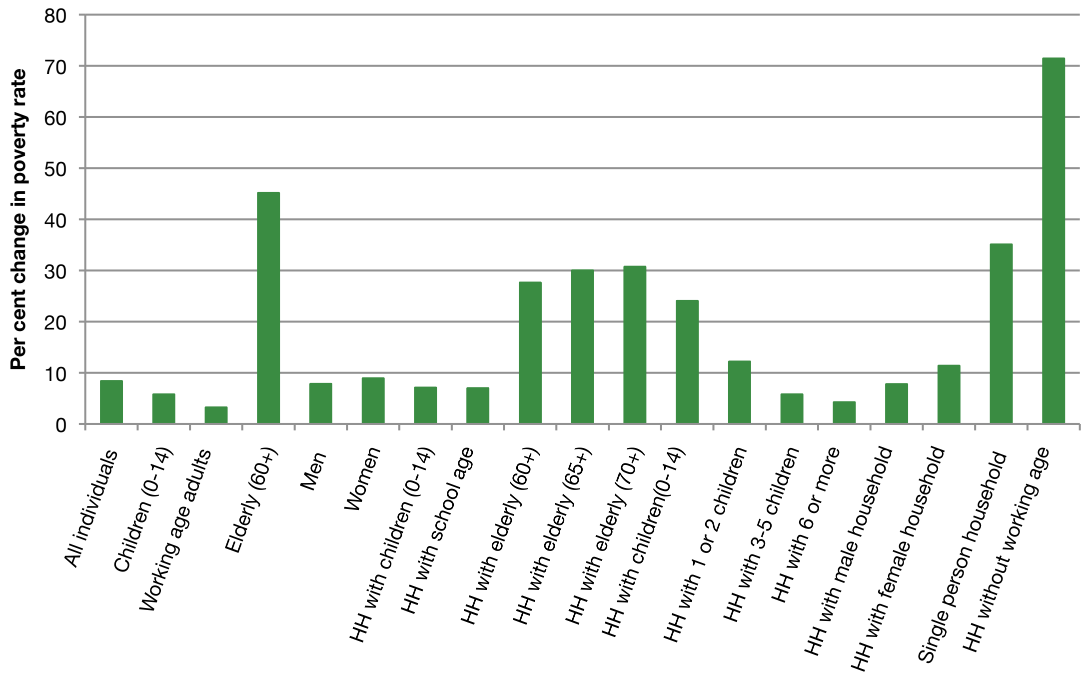
Transfer level (in 2007 prices)	Poverty indicator	Poverty gap pre-transfer (%)	Poverty gap post-transfer (%)	% reduction in poverty gap
TZS 6,000	food poverty gap	4.4	3.9	11.4
	basic needs poverty gap	9.9	9.0	9.1
TZS 8,000	food poverty gap	4.4	3.8	13.6
	basic needs poverty gap	9.9	8.8	11.1
TZS 10,000	food poverty gap	4.4	3.6	18.2
	basic needs poverty gap	9.9	8.5	14.1
TZS 13,600	food poverty gap	4.4	3.5	20.6
	basic needs poverty gap	9.9	8.2	17.0

Source: own calculations based on NHBS data

B.1.4 Poverty impacts by household type

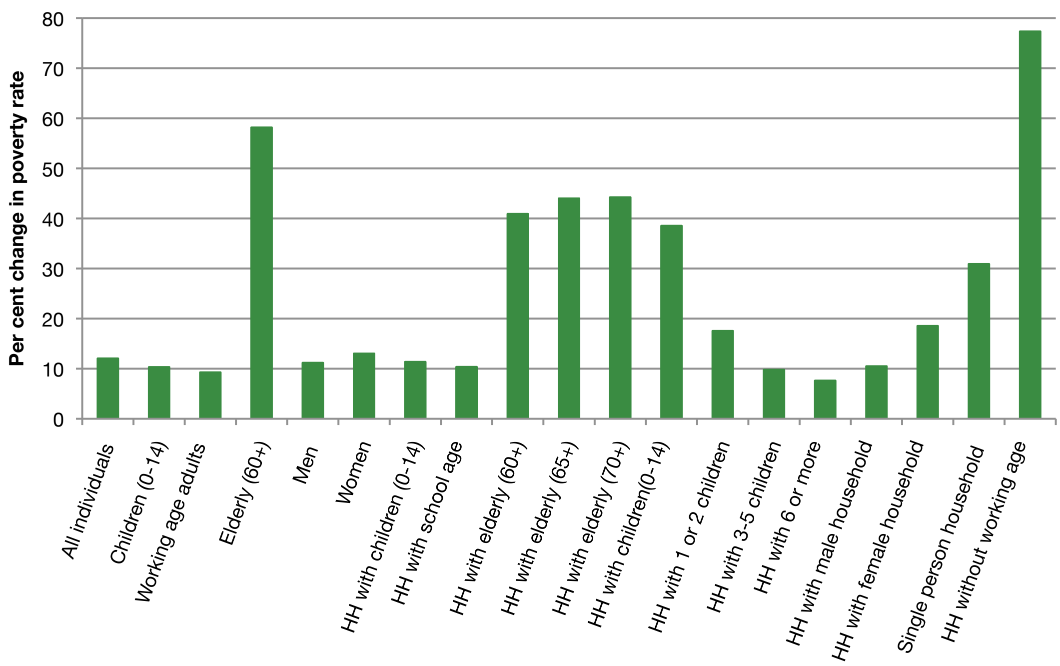
The national household budget survey contains a wealth of information on household size by gender and geographical region so it is possible to look at the impact of a universal pension on different household types. In this section, we examine in further detail the impacts of a universal pension on household type by looking a transfer of TZS 10,000 to those aged over 60. Charts B.5 and B.6 show the reduction in the food poverty rate and the basic needs poverty rate by household type. It is clear that the larger gains in terms of poverty reduction are for the older people themselves. These findings are amplified when looking at the reduction in the food poverty rate where rates are reduced by nearly 60 per cent (from 15.3 per cent to 6.3 per cent). A one-person household benefits from a large reduction in the incidence of poverty, as a relevant share of this type of household is made up of an older person in their own. The largest reduction in poverty occurs for households without working age members, since they are quite small and the amount of the transfer has to be shared among a few members. When we look at the households with children, the impact on poverty has a notable impact though it generally declines with the number of children in the household. This is due to the increase in the number of non-eligible members who have to share the pension. Furthermore, there is a bigger reduction in terms of poverty rates for individuals living in female-headed households as they are poorer than male headed households.

Figure B.5 The reduction in basic needs poverty rate by household type for a transfer of TZS 10,000 to those over age 60



Source: own calculations based on NHBS data

Figure B.6 The reduction in food poverty rate by household type for a transfer of TZS 10,000 to those over age 60



PART B.1 Impacts of a universal pension on poverty reduction: summary of key findings

To draw out the scenario with the highest impact on poverty, a TZS 13,600/month transfer (TZS 16,586 in 2010 prices) to all older people aged 60 years and above would:

- Reduce the old-age poverty rate by 57.9 per cent (i.e. from 33.0 per cent to 13.9 per cent)
- Reduce the basic needs poverty rate amongst the 23.2 per cent of households containing an older person by 39.6 per cent (i.e. from 40.9 per cent to 24.7 per cent)
- Reduce the national poverty rate by 11.9 per cent (i.e. from 33.4 per cent to 29.4 per cent). This would result in over 1.5 million people being lifted out of poverty.
- Reduce the national basic needs poverty gap by 17.0 per cent (i.e. from 9.9 per cent to 8.2 per cent).
- The figures quoted above are the result of 'static' poverty analysis. The real impact is likely to be far greater due to a range of multiplier effects at household and community level.

Poverty analysis also confirms that:

- It is more efficient in terms of poverty impact to have a lower age threshold and lower benefit level than it is to have a higher age threshold and higher benefit level.
- A universal pension would largely benefit Tanzania's rural communities and thereby reduce the extent of spatial inequality in Tanzania.
- The introduction of a universal social pension would make a major contribution towards achieving the poverty reduction targets outlined in National Strategy for Growth and Poverty Reduction and the Millennium Development Goals.

B.2 Impacts of a universal pension on broader national development processes

In this chapter we have seen that a universal pension in Tanzania would be an effective tool for achieving national poverty reduction objectives. In this section we examine the evidence that pensions are a valuable instrument for meeting broader national development objectives as set out in the *National Strategy for Growth and Reduction of Poverty* – the MKUKUTA.

B.2.1 MKUKUTA Cluster I: Growth and reduction of income poverty

Sustained sound economic management

Prudent economic policy and public financial management is a prerequisite for achieving national development objectives (Goal 1, Operational Target 1). Part D offers a more comprehensive discussion on the fiscal sustainability of a universal pension in Tanzania. Suffice to say here that a meaningful social pension could be established for all older people for less than 1 per cent of GDP. Moreover, the cost of such a scheme is highly likely to reduce as a proportion of GDP over the longer term due to the fact that the size of the older population is expected to grow at a far slower rate than economic growth and revenue projections. Indeed Tanzania is several decades away from the demographic shift experienced in many industrialised economies and, in the context of strong long-term economic growth forecasts, a basic social pension scheme would not have a negative impact on fiscal sustainability. On the contrary, a universal pension would likely promote economic growth and development.[17]

Agricultural growth, micro-enterprise development and enhanced livelihoods

Increased growth in the agricultural sector (Goal 2, operational target 2) is a key pillar of Tanzania's national economic growth and development strategy. The MKUKUTA proposes a number of interventions designed to promote increased productivity – and greater commercial orientation – among small-scale farmers (e.g. see Goal 2, cluster strategies 2.4.2 – 2.4.8 and 2.5.2). However, evidence gathered during this feasibility study suggests that the current absence of income security plays a major role in limiting access by poor households to these livelihood promotion initiatives and thereby reduces their impact on economic growth and food crop production.

17 Tanzania may wish to take note of the experience of other countries in the region on this issue. For example, over 60 years ago, Mauritius was a mono-crop economy prone to terms of trade shocks, experiencing rapid population growth rates and susceptible to ethnic tensions. Yet by 2009 Mauritius had the second highest human development index in Africa (UNDP 2009).

A universal social pension could provide a minimum level of income security to more than one in four rural Tanzanian households and would therefore support a large proportion of poor Tanzanian households to increase their economic productivity, increase agricultural production and enhance household productivity.[18] Evidence from Tanzania and elsewhere has demonstrated that social pensions promote productive investment in small business enterprises. Data from the Kwa Wazee project and Save the Children's cash transfer scheme in Lindi has revealed that many older beneficiaries have invested transfer payments in small business enterprises and increased their agricultural productivity. Similarly, evidence from Zambia's Katete universal pension scheme, indicates that 38 per cent of the US$11 pension is invested in small business, mainly agricultural enterprises (Hichaambwa, 2008). In South Africa, pensions have enabled families to have increased access to credit and capital equipment (Devereux, 2001). A social pension would allow a larger proportion of poor households to access agricultural inputs and could potentially expand access to financial services (cluster strategy 3.1.1).

Local economic development

A universal pension would also result in a substantial injection of financial resources into predominantly rural communities across Tanzania. Evidence from both Tanzania and elsewhere has already demonstrated that this can act as a powerful stimulus for local economic development. Although only small-scale, the Kwa Wazee project in Muleba is already demonstrating the impact that small, regular pension payments can have in creating demand for locally-produced goods and services. This evidence reflects international experience. For example, in Lesotho, around 18 per cent of cash from the social pension is spent on activities that create jobs for others (Croome and Nyanguru, 2007). In Zambia 70 per cent of social transfer payments are being spent on locally-produced goods, stimulating enterprises in rural areas. It has been estimated that, in the absence of the pension, up to half of the shops in many rural areas of Namibia would close (Devereux, 2001). Similarly, universal pensions are also being used in Kenya and Uganda to address food security and chronic underdevelopment of marginalised areas. In developed countries the same strategy has been followed by countries hit by recession. In the UK, Russia and Thailand, one of the major components of the fiscal stimulus was to extend cash transfers to pensioners.

However, commercialisation of the agricultural economy – and the associated socio-economic transformation – is likely to place poor rural households (particularly older people) under increased pressure over the medium term. In this context, a universal social pension reaching over one in four rural households would act to cushion a large proportion of the most vulnerable against hardship and facilitate the transformation of the rural economy. Without a safety net of the scale offered by a universal pension, the potential exists for recurrent crises to undermine the economic and political sustainability of agricultural modernisation. Indeed, consultations with TASAF, the Ministry of Agriculture and the Ministry of Community Development consistently identified the exclusion of the poor from initiatives designed to increase productivity and local economic development as a key challenge to the sector. In this respect evidence from the region suggests that regular cash transfers to a sizeable proportion of rural households would actively promote agricultural commercialisation through increased investment in agricultural production, which would help prevent food security crises from occurring.

The impact of social pensions on economic growth and development is perhaps best demonstrated in Mauritius, where the IMF has recognised the central role of the Mauritian social protection system, particularly the universal social pension, in contributing towards Mauritius' 'economic miracle' (Subramanian and Roy, 2001).

Reducing income poverty amongst older people and their families

As demonstrated in the preceding analysis, a universal social pension would reach around 30 per cent of Tanzania's poorest households, reduce old age poverty amongst Tanzania's 2 million older people and thereby have a significant impact on national poverty rates. For example, a TZS 15,000/month pension for older people aged 60 years and above would reduce the old-age poverty rate by at least 57.9 per cent (from 33.0 to 13.9 per cent) and would reduce the national poverty rate by at least 4 percentage points (from 33.4 to 29.4 per cent). Moreover, a pension would also reach around 30 per cent of households in the poorest three income deciles. Finally, a universal social pension would make a significant contribution to reducing spatial inequality in Tanzania as over 80 per cent of older people reside in rural areas. In this respect, a universal social pension would directly contribute to achieving Goal 4, Operational Targets 1 and 2 as they relate to reductions in basic needs and food poverty rates.

18 In contrast, interesting new research (forthcoming in 2010) is currently being undertaken by REPOA on how the absence of income security – particularly in old age – can force people to engage in sub-optimal forms of livelihood diversification in an attempt to manage risks rather than investing in the development of long-term productive activities.

Extending access to financial services to rural communities

Cluster strategy 3.1.1 identifies access to inputs and micro-finance credit as a key to increasing food production. On one hand there is clear evidence from South Africa and elsewhere that the social pension – and the security this provides to creditors – has enabled increased access for poor families to credit and capital equipment (Devereux, 2001). In addition, Tanzania's social pension could be specifically designed to promote substantial and rapid expansion of financial services to previously marginalised communities. Private sector pension payments service providers have often been encouraged to deliver financial services not only to programme beneficiaries but also to other community members. Kenya's Hunger Safety Net Programme, for example – including its universal pension sub-component – engaged a private sector bank to deliver payments through a network of community-level agents. Beneficiaries not only obtain access to a savings account through the programme but will also be considered for other financial services in the future. Similarly, the use of mobile communications technology to transfer pension payments could also have sizeable spill-over benefits in Tanzania's marginalised communities. In this context, a full-scale universal pension programme would have clear positive benefits on rural economic development and could potentially complement micro-finance and agricultural development initiatives. For further information see section C.7.

Promotion of self-employment in the informal sector

Evidence shows that cash transfers are linked to increased labour market participation which is particularly important in the context of the national goal to *"reduce unemployment and to address underemployment in rural areas" (Goal 1, operational target 2) and "promote self-employment and increased employment opportunities i*n the informal sector" (Goal 5, cluster strategy 5.2.7). Social pensions have been shown to allow those previously excluded from the labour market to compete for jobs. For example, recent research (forthcoming 2010) carried out by the Economic Policy Research Institute (EPRI) and HelpAge International confirmed a statistically significant increase in the probability that a poor unemployed adult will look for work or find employment if they are living in a household that benefits from South Africa's non-contributory pension scheme. Pension income was found to enable older women to care for the children of those seeking work, including other household members and migrants. Social pensions also enable household members to invest in more productive job searches, providing the critical support to look for decent work and not attach themselves to the worst forms of labour out of desperation (Wittenberg, 2002).

B.2.2 MKUKUTA Cluster II: Improvement of quality of life and social wellbeing

Improved child nutrition and access to education

Investing in the development of Tanzania's children is key to the country's future development prospects. Although initiatives such as universal primary education constitute a major step forward, more needs to be done to realise the full potential of these interventions and achieve the MKUKUTA's objectives as they relate to improved child nutrition (Goal 2, Operational Target B.2.1-2.2) and increased enrolment, attendance and completion (Goal 1, Operational targets B1.2-1.8; C1.5-1.8; and D 1.1-1.3). Social pensions have been proven to be a highly effective way of achieving policy objectives relating to child welfare and development and, in the Tanzanian context, would have particular significance in terms of achieving increased access to education for orphans and most vulnerable children (Goal 1, Operational Target 1.4 and cluster strategies B.1 and B.3). In the first instance, a social pension would improve nutritional status in a large proportion of Tanzania's poorest households, thereby improving child physical and cognitive development (ref Goal 2, Operational target A. 2.1, B.2.1 and B.2.2).

Evidence from a range of countries, including Tanzania, has confirmed that older people consistently chose to invest a large proportion of social pension income on grandchildren – especially food, healthcare and schooling – and, in doing so, help their families to overcome the private, embedded costs associated with accessing these services. In this respect, a social pension would specifically reach the 40 per cent of Tanzania's orphans and vulnerable children currently being cared for by older people (UNICEF, 2006) and the 72 per cent of most vulnerable children being cared for by grandparents (National Costed Plan of Action for OVC, 2006). The Kwa Wazee project found that children from homes receiving cash transfers not only ate better, but also had enough soap to last the month, and were absent from school less often. A cash transfer scheme managed by Save the Children in Lindi targeting older people caring for children also recorded improved school attendance and up-take of health services. Similarly, independent research in South Africa and Brazil has showed that children living with older people receiving a social pension benefited from improved nutrition, which resulted in a 3-5cm increase in height among children (Devereux, 2001); and increased school attendance, especially among girls aged 12 to 14 (see cluster strategy C.5). Educating girls is especially important in that it both improves their productivity and reduces fertility rates, which allows greater economic participation. In South Africa the pension also led to 8 per cent increase in enrolment among poorest 20 per cent of children (Samson et al, 2004).

Strengthening community-based support mechanisms for PLWHA and increasing access to HIV AND AIDS treatment, care and support services

Tanzania has a well-elaborated strategy for reducing HIV prevalence and mitigating the human, social and economic impact of the epidemic. The MKUKUTA specifically aims to achieve increased access to ARVs, food supplements, treatment for opportunistic infections (cluster strategies D.2 and D.3) and advocates for a strengthening of community-based care and support mechanisms for PLWHAs (cluster strategies D.4 and D.5). However, in a context where over 50 per cent of PLWHA are cared for by older people (UNICEF, 2006), the MKUKUTA objectives are unlikely to be met without additional support for older carers. This is acknowledged in the MKUKUTA, which specifically identifies increased support to older carers and widows as central to improving the sustainability of community-based care and support mechanisms for PLWHA. A social pension would maximise older carers' ability to provide care and support services for PLWHA and also reduce the likelihood that the illness of an adult family member will negatively impact on children's education.[19]

Expanding social protection for vulnerable groups

Implementation of a universal social pension would constitute a major step forward in achieving expanded social protection for vulnerable groups (Cluster 2, Goal 4). Needless to say, a universal social pension would achieve Operational Target 4.3 as it relates to social protection for older people (and as specified in cluster strategy A.7) and would "increase the capacity of poor households to care for vulnerable groups targeting older people, orphans, other vulnerable children and PLWHAs" (Goal 4, Operational Target B.4.4).

It is important to recognise that a universal pension would also make a substantial contribution to achieving social protection objectives for other social groups. As discussed above, it would reach over 40 per cent of orphans and vulnerable children (UNICEF, 2006) and 72 per cent of the most vulnerable children (Costed National Plan for OVC, 2006), thereby making a substantial contribution to achieving Operational Target A.4.1. Although the impact of social pensions on child labour is only just beginning to be understood, significant evidence has also been collected from the Kwa Wazee cash transfer scheme that a social pension could reduce child labour and protect children in the most vulnerable households from the need to engage in the worst kinds of child labour (Goal 4, Operational Target C). This is particularly relevant given that the vast majority of Tanzania's most vulnerable children remain in the care of older people, who are often unable to generate adequate income to sustain their dependants through their own labour alone (Costed National Plan for OVC, 2006). A universal pension would also benefit around 30 per cent of the disabled population thereby single-handedly achieving Operational Target A.4.2. Finally, as discussed above, a universal pension is also likely to promote access to credit, education and training for vulnerable households (Goal 4, cluster strategy B.1).

Increasing access to quality public services

Goal 5 of the MKUKUTA aims to increase access to a range of basic social services through a variety of supply-side interventions. These include eliminating access barriers for vulnerable groups (cluster strategy D.2) and providing older people with identity cards to allow access to free medical treatment (cluster strategy D.4). These are all critical to achieving universal access to basic social services. However, evidence from Tanzania and other countries in the region consistently demonstrates that poor older people and their families continue to encounter prohibitive private and embedded costs which reduce the impact of existing policy provisions. A basic universal pension would increase older people's ability to meet these private costs. This is particularly important given the desire to strengthen the district-level referrals system on which healthcare services for the chronic illnesses often experienced by older people are based (see cluster strategy C.1). A social pension would maximise the effectiveness of the referrals system for poor older people and would also increase uptake of health services amongst older people's dependants, particularly those who are not exempt from user fees such as older children.

B.2.3 MKUKUTA Cluster III: Governance and Accountability

The implementation of a social pension can contribute significantly towards the national goals of improving governance and accountability through promoting institutional development, social cohesion, strengthening traditional social protection mechanisms and further developing the social contract between the Tanzanian state and its citizens.

19 Research in rural Tanzania documented that children with ill parents are more likely to have their schooling interrupted and to spend fewer hours in school prior to that (Ainsworth et al 2005).

Improved equity in allocation of public resources

Implementation of a universal social pension would improve the overall level of equity in allocation of public resources (Cluster III, Goal 2) by increasing the proportion of public resources directed to vulnerable older people and their families. A universal social pension would, for instance, reach around 30 per cent of households in the poorest three income deciles and would reduce national basic needs and food poverty rates by significant margins. As such, a universal pension is a relatively efficient and cost-effective poverty reduction tool.

Promoting decentralisation through local government capacity development

Implementation of a universal social pension through local government would further promote decentralisation (Goal 3, Operational Target 2) through increased demand for local government services and more positive contact between local government officials and the general population. Implementation of a pension could have particularly dramatic positive impacts on the up-take of civil registration services which would, in turn, have significant positive impacts on wider governance processes.

Promoting social cohesion and reducing social exclusion of older people

Older people continue to make key contributions to Tanzania's social fabric and play critical social, cultural and economic roles. However, old-age poverty and its impact on families and communities undermines social cohesion and contributes to a high incidence of rights abuse and discrimination against older people (see Box 2). Old age poverty serves to undermine traditional, community-based social protection mechanisms – particularly those based on principles of reciprocity. Finally, local government officials interviewed as part of this feasibility study repeatedly emphasised challenges in 'reaching' older people with services and information as they felt disconnected from local government authorities.

A social pension could address many of these challenges. In the first instance, evidence from the Kwa Wazee scheme in Muleba has demonstrated how a social pension can empower older people, restore hope and self-esteem and promote more active engagement in local government issues (interviews with local government leaders in Muleba). A universal pension would also strengthen community-based social protection mechanisms by allowing vulnerable older people and their families to enter into reciprocal support networks at community level. This is particularly important from the perspective of community-based responses to the HIV epidemic. Finally, a universal social pension granted on the basis of Tanzanian citizenship or residency would also promote social cohesion and promote the development of the social contract between the Tanzanian state and its citizens.

Table B.6 Summarising the contributions of a universal social pension to achieving the objectives of the National Strategy for Growth and Reduction of Poverty (2005-2010)

Goal	Description of strategic fit
Cluster I: Growth and reduction of income poverty	
Goal 1: Ensuring sound economic management	• A meaningful universal social pension could be established for less than 1 per cent of GDP. • The cost of such a scheme is highly likely to reduce as a proportion of GDP over the longer-term due to the fact that the size of the older population is expected to grow at a far slower rate than economic growth and revenue projections. • In the context of strong long-term economic growth forecasts, a basic social pension scheme would not have a negative impact on fiscal sustainability.
Goal 2: Promoting sustainable and broad-based growth and Goal 3: Improved food availability and accessibility at household level in urban and rural areas	• The MKUKUTA proposes a number of interventions designed to promote increased productivity (e.g. see Goal 2, cluster strategies 2.4.2 – 2.4.8 and 2.5.2). However, the current absence of income security plays a major role in limiting access by poor households to these initiatives. • A universal social pension could provide a minimum level of income security to more than one in four rural Tanzanian households and would support a large proportion of poor Tanzanian households to better manage risk and enhance household productivity. • A universal pension would result in a substantial injection of financial resources into predominantly rural communities across Tanzania. This can act as a powerful stimulus for local economic development. • A universal social pension reaching over one in four rural households would act to cushion a large proportion of the most vulnerable against hardship and facilitate the transformation of the rural economy. • Cluster strategy 3.1.1 identifies access to inputs and micro-finance credit as a key to increasing food production. Social pensions enable increased access for poor families to credit and capital equipment (Devereux, 2001). In addition, Tanzania's social pension could be specifically designed to promote substantial and rapid expansion of financial services to previously marginalised communities.
Goal 4: Reducing income poverty of both men and women in rural areas and Goal 5: Reducing poverty of both men and women in urban areas	• A universal social pension would reduce old age poverty amongst Tanzania's 2 million older people and their families and thereby have a significant impact on national poverty rates. • For instance, a TZS 15,000/month pension for older people aged 60 years and above would reduce the old age poverty rate by at least 57.9 per cent (from 33.0 to 13.9 per cent) and would reduce the national poverty rate by at least 4 percentage points (from 33.4 to 29.4 per cent). • A universal social pension would also reach around 30 per cent of households in the poorest three income deciles. • A universal social pension would also make a significant contribution to reducing spatial inequality in Tanzania as over 80 per cent of older people reside in rural areas. • Cash transfers are linked to increased labour market participation (see Goal 1, operational target 2 and Goal 5, cluster strategy 5.2.7). Social pensions have been shown to allow those previously excluded from the labour market to compete for jobs. • Social pensions also enable household members to invest in more productive job searches, providing the critical support to look for decent work and not attach themselves to the worst forms of labour out of desperation.

Cluster II: Improvement of quality of life and social well being	
Goal 1: ensuring equitable access to primary and secondary education for boys and girls, universal literacy among men and women and expansion of higher technical and vocational education	• Social pensions have been proven to be critical for child welfare and development and would have particularly significant impact in terms of achieving increased access to education for orphans and most vulnerable children (Goal 1, Operational Target 1.4 and cluster strategies B.1 and B.3). • Older people consistently chose to invest a large proportion of social pension income on grandchildren – especially food, healthcare and schooling – and, in doing so, help their families overcome the private, embedded costs associated with accessing these services. • A social pension would specifically reach the 40 per cent of Tanzania's orphans and vulnerable children currently being cared for by older people (UNICEF 2006) and the 72 per cent of most vulnerable children being cared for by grandparents (National Costed Plan of Action for OVC 2006).
Goal 2: Improved survival, health and wellbeing of all children and women and of especially vulnerable groups	• A social pension would improve nutritional status in a large proportion of Tanzania's poorest households thereby improving child physical and cognitive development (ref Goal 2, Operational target A. 2.1, B.2.1 and B.2.2). • The MKUKUTA specifically aims to achieve increased access to ARVs, food supplements, and treatment for opportunistic infections (cluster strategies D.2 and D.3) and advocates for a strengthening of community-based care and support mechanisms for PLWHAs (cluster strategies D.4 and D.5). Given that around 50 per cent of PLWHA are cared for by older people, a social pension would maximise older carers' ability to provide care and support services for PLWHA and also reduce the likelihood that the illness of an adult family member will negatively impact on children's education.
Goal 4: Adequate social protection and rights of the vulnerable and needy groups with basic needs and services	• A universal social pension would achieve Operational Target 4.3 as it relates to social protection for older people (and as specified in cluster strategy A.7) and would "increase the capacity of poor households to care for vulnerable groups targeting older people, orphans, other vulnerable children and PLWHAs" (Goal 4, Operational Target B.4.4). • A universal pension would contribute to achieving social protection objectives for a range of other social groups. It would reach over 40 per cent of orphans and vulnerable children (UNICEF 2006) and 72 per cent of the most vulnerable children (Costed National Plan for OVC, 2006) thereby contributing to Operational Target A.4.1. • A social pension could reduce child labour and protect children in the most vulnerable households from the need to engage in the worst kinds of child labour (Goal 4, Operational Target C). This is particularly relevant given the fact that the vast majority of Tanzania's most vulnerable children remain in the care of older people who are often unable to generate adequate income to sustain their dependants through their own labour alone (Costed National Plan for OVC 2006). • A universal pension would benefit around 30 per cent of the disabled population thereby achieving Operational Target A.4.2. • A universal pension is also likely to promote access to credit, education and training for vulnerable households (Goal 4, cluster strategy B.1).
Goal 5: systems in place to ensure effective universal access to quality public services that are affordable and available	• Goal 5 of the MKUKUTA aims to increase access to a range of basic social services through a variety of supply-side interventions. However, poor older people and their families continue to encounter prohibitive private and embedded costs which reduce the impact of existing policy provisions. A basic universal pension would increase older people's ability to meet these private costs. • A social pension would maximise the effectiveness of the health sector referrals system for poor older people and would also increase uptake of health services amongst older people's dependants – particularly those who are not exempt from user fees such as older children (see cluster strategy C.1).

Cluster III: Governance and accountability	
Goal 2: Equitable allocation of public resources with corruption effectively addressed	• Improved overall level of equity in allocation of public resources by increasing the proportion of public resources directed to vulnerable older people and their families. • A universal social pension would reach around 30 per cent of households in the poorest three income deciles and would reduce national basic needs and food poverty rates by significant margins.
Goal 3: Effective public service framework in place to provide foundation for public service delivery improvements and poverty reduction.	• Promotion of decentralisation through increased demand for local government services and more positive contact between local government officials and the general population. • Potential increased up-take of civil registration services which would, in turn, have significant positive impacts on wider governance processes.
Goal 5: Reduction of political and social exclusion and intolerance	• Old age poverty undermines social cohesion, contributes to a high incidence of rights abuse and discrimination against older people and undermines traditional, community-based social protection mechanisms. • A universal pension would strengthen community-based social protection mechanisms by allowing vulnerable older people and their families to enter into reciprocal support networks at community level. This is particularly important from the perspective of community-based responses to the HIV epidemic. • A social pension can empower older people, restore hope and self-esteem and promote more active engagement in local government issues. • Finally, a universal social pension granted on the basis of citizenship or residency would promote social cohesion and promote social contract development.

PART C: TOWARDS AN IMPLEMENTATION STRATEGY FOR A SOCIAL PENSION IN TANZANIA

This chapter provides a discussion of the key design and implementation considerations for a universal pension. Reference is made to evidence and learning that has already emerged from existing cash transfer initiatives targeting older people in Tanzania as well as relevant international examples. Consideration is given to eligibility criteria as well as to setting an appropriate monthly transfer level. A detailed analysis is provided of the options available with respect to registration system design (including age verification procedures), payments mechanisms and an appropriate institutional framework. A comprehensive account of opportunities and challenges presented by Tanzania's developing civil registration system is provided and the feasibility of reliable age verification is assessed. Recommendations are made for procedures which build on the experience to-date in Tanzania but also reflect international best practice.

C.1 Eligibility criteria for a social pension

Internationally, eligibility for social pension schemes tends to be determined with reference to one or more of the following criteria:

- age
- geographic location – including 'rural pensions' [20]
- economic status (income or asset ownership)
- receipt of other state benefit
- duration of residence.

C.1.1 Age of eligibility

In most industrialised, predominantly formalised economies, the age of eligibility for social pensions tends to be determined with reference to the official/enforced retirement age. Older people who receive the state pension are not expected (or often permitted) to continue in employment beyond the age of eligibility for the pension. In these countries, where the old-age dependency ratio is increasing, the age of eligibility for state pension schemes is tending to increase beyond 60 years, which is currently used as the international threshold for old age.

"Eligibility for the pension should be at 60 years because at this age most people here have a physical disability."

(Local government official, Muleba district)

However, in low and middle income countries with large informal sectors such as Tanzania, the age of eligibility for a social pension is more often determined by balancing the desired impact on poverty and social and economic development with concerns for affordability. This is, of course, in a context where lower age thresholds correspond to a higher number of beneficiaries. Many lower income countries tend to introduce social pensions at a relatively high age threshold and then reduce it over time as the socio-economic impacts of the scheme become apparent and as increased fiscal resources become available. For the purposes of this feasibility study, Chapter 5 presents impact and costings analyses for the following age thresholds: 60; 65 and 70 years. By international standards, age 60 would be a low introductory age threshold for a universal social pension in a low income country while 70 would be relatively high.

In many countries, the age of eligibility also varies according to sex and geographical location with lower age thresholds for women or in particularly marginalised or geographically under-developed regions of the country. This is intended to increase the progressiveness and developmental benefits achieved by the scheme. However, given the importance of generating broad-based political support for the scheme and for the pension to make positive contributions to social cohesion and social contract development, reducing the age threshold in response to geographical variations in poverty rates is not recommended for Tanzania. On the other hand, given the gendered nature of old-age vulnerability in Tanzania as well as strong evidence that older women tend to direct their pension incomes most strongly towards grandchildren – particularly grand-daughters – a

20 This should not be confused with 'residence-based pensions' – a type of social pension paid only to those older people who have been resident in the country for a set period of time.

lower age of eligibility for women may be an option that the Government of Tanzania may wish to consider at some point in the future. However, in the short term, it seems sensible to keep the programme as simple as possible through use of a uniform age of eligibility for both men and women. Given the results of the poverty analysis presented in the preceding chapter, an age threshold of 60 years (or 65 at most) would be preferable in Tanzania.

Table C.1 Age thresholds for selected social pension schemes (including pilots) in a range of countries

Country	Scheme	Age of Eligibility
Bolivia	Renta Dignidad (Dignity Grant)	60
Botswana	Old Age Pension	65
Brazil	Rural pension (Prêvidencia Rural)	60 (m) 55 (w)
Kenya	Old Person's Cash Transfer Scheme	65
Kenya	Universal pension component of HSNP	55
Kosovo	Old age basic pension	65
Lesotho	Old Age Pension	70
Mauritius	Basic Retirement Pension (Universal Pension)	60
Mexico	Mexico City "Citizens food pension" and "70s and over" scheme	70
Namibia	Old Age Pension	60
Nepal	Old Age Allowance	70 (60 in some areas)
New Zealand	Superannuation	65
Swaziland	Old Age Grant	60
South Africa	Old Age Pension	60
Thailand	Old Age Allowance	60
Uganda	Universal pension component of Social Assistance Grants for Empowerment (SAGE) scheme	65
Zambia	Social Cash Transfer Programme (Universal Pension pilot in Katete)	60

Source: data compiled by authors and accurate as of January 2010

C.1.2 Geographic location – including 'rural pensions'

In a limited number of countries only older people living in rural areas are eligible for the national social pension scheme. The most prominent example of this is Brazil's universal Rural Pension. This approach has the advantage of maximising the impact on rural poverty while also reducing the fiscal cost of the scheme (by reducing the number of beneficiaries). However, in the Tanzanian context, where almost 83 per cent of people aged 60 years and older reside in rural areas, this appears less relevant and would result in administrative and political complications associated with differentiating between 'rural' and 'urban' areas. However, more importantly, evidence from consultations and HelpAge International's programmes suggests that the most vulnerable older people often reside in urban areas, sometimes in destitution, having been forced off their land. Also, traditional social protection mechanisms based on kinship and family ties tend to be weaker in urban areas than in rural areas, leaving poor urban older people particularly vulnerable. Finally, international evidence suggests that take-up rates among wealthier older people in Tanzania's urban centres are likely to be relatively low. For example, take-up rates for Nepal's universal pension are lowest in the capital, Kathmandu. Therefore, given the importance of reaching the thousands of destitute older people in Tanzania's urban centres as well as the political and administrative costs of excluding a small proportion of urban older people, a rural pension along the lines of the Brazilian model is not seen as desirable in the Tanzanian context.

C.1.3 Economic status

Some social pensions seek to exclude wealthier older people through the use of means testing – an assessment of income or asset ownership. The advantage of this approach is that it can reduce the cost of the scheme by limiting the number of beneficiaries. However, a range of very strong arguments exist for pursuing a more universalist approach to social pension scheme design in Tanzania. [21]

a) Poverty targeting creates perverse incentives

One key feature of any social transfer scheme such as a social pension is that they create incentives for individuals. Social transfer schemes can also have negative or 'perverse' incentives. These are particularly prevalent in poverty-targeted cash transfer schemes where means testing can discourage people from saving or investing in small businesses. Poverty-targeted programmes therefore tend to create poverty traps and limit the scheme's impact on poverty reduction and economic development.

In the context of a social pension, means-testing can also create perverse incentives which damage the wider pension system. Means testing would inevitably exclude people who are eligible for state (in the case of ex-public servants) or private pensions. As a result individuals would be unlikely to save for their own future so as to ensure continued eligibility for the means-tested pension. Under these circumstances a social pension could conflict with the formal social security system. In contrast, a universal pension is given to everybody even if they have saved for the future. It therefore does not create disincentives for people to save for themselves. Under these circumstances a universal pension could support the efforts of the Tanzanian government to strengthen the broader pensions system. This issue is discussed in more detail below.

b) Poverty-targeting tends to exclude many of the poor and include many wealthier people

Although it is extremely difficult to measure wealth and vulnerability accurately in any context, it is especially difficult in a country such as Tanzania where accurate records of income and assets do not exist and where household incomes may fluctuate significantly over time. Although efforts have been made to develop alternative ways of assessing household vulnerability (such as proxy-means testing) the effectiveness of these methodologies is highly questionable. First, implementing complex targeting mechanisms where administrative capacity is low tends to result in widespread error and/or manipulation. Second, wealthier, better educated and better connected individuals tend to be far more able to circumvent means testing systems than their poorer counterparts resulting in significant inclusion errors. Finally, poverty targeting tends to create administrative barriers which can result in the exclusion of the most poorly educated and socially isolated households. Over time, as monitoring and evaluation efforts are reduced and as preliminary technical support comes to an end, poverty targeting risks becoming increasingly poorly implemented, open to manipulation and less accessible to the most vulnerable. Box 4 provides a summary of international experience in poverty targeting.

c) Many of the non-poor are at risk of falling into poverty

Many older people and their families that are above the poverty line in Tanzania are likely to experience transient poverty depending on different shocks they may face. In this context, some evidence suggests that providing income security to those at risk of falling into poverty in addition to those already in poverty is an important strategy for reducing poverty as a whole. While a large proportion of pension benefits would go to the poorest sections of society, a universalist approach would also protect many older people and their families from falling into poverty as they encounter a range of economic shocks.

d) Poverty targeting is prohibitively expensive to implement well at national scale

The number of rich older people in Tanzania is extremely small. Introducing a means testing system to exclude them would add substantial administrative costs to the programme. As a result, the financial benefits associated with poverty targeting may well be negligible. Indeed, consultations with local government officials, as well as experience in TASAF's CB-CCT and the Kwa Wazee programmes suggest that it would be extremely difficult – probably impossible – for a means tested national pension scheme to be implemented cost effectively. Indeed, consultations with the Ministry of Health and Social Welfare suggest that the recent decision to universalise access to free healthcare for older people was in part a product of the inability to conduct accurate means testing at local level. Evidence from other programmes in the region suggests that well-targeted programmes are prohibitively expensive and administratively demanding. With limited financial resources for local government administration, the quality of targeting is likely to deteriorate rapidly. In contrast, universal pensions tend to be far easier and cheaper to implement and, as Robert Holzmann et al point out are "probably the best way to provide poverty relief to the elderly. Considering the difficulty of identifying who among the elderly is poor, the principle merit of [of a universal pension] is that its universality avoids the targeting issue" (Holzmann et al, 2005, p. 95).

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21 Should the exclusion of wealthier older people be desirable, international experience suggests that ex post recovery of pension payments through the taxation system is likely to be a far more successful approach than ex ante means testing. For further details see section D.3.

Box 4. International evidence on targeting errors

The effectiveness of targeting varies significantly from country to country depending on a range of factors such as the approach used (e.g. means tested, community-based targeting) and the investment put into the targeting process. What is clear, however, is that any targeting approach will include many who are not poor, and exclude many of those who should receive the benefit.

Inclusion errors
A 2004 study by Coady, Grosh and Hoddinott analysed targeting performance in 85 anti-poverty interventions implemented between 1985 and 2003. In all but two cases, over a third of the benefits went to those outside the bottom quintile. In two-thirds of programmes, those outside the bottom quintile received the majority of the benefits. On this basis, one can confidently say that it is normal for around half or more of the benefits from targeted programmes to go to those who are not the poorest. Moreover, these figures hide the fact that poverty-targeted programmes usually try to target a much smaller group than the bottom quintile (20 per cent). This means that the number of people outside the target group is likely to be much higher.

Exclusion errors: who misses out?
If the aim of a poverty-targeted programme is to reach the poorest, evidence from existing programmes shows that they fall significantly short of this objective. For example, the means-tested pensions in Bangladesh and Chile have both been found to cover less than a fifth of the target group. In recent years, much has been made of innovations in targeting such as proxy-means testing. The Bolsa Familia and Oportunidades schemes in Brazil and Mexico have been seen as flagship programmes for this approach. Nevertheless, an analysis of their targeting shows that in both schemes the majority of the poor still miss out (59 per cent in Brazil and 70 per cent in Mexico).

Another targeting method gaining increasing attention is community-based targeting and a number of pilots have been set up across Africa to test its effectiveness. Analysis of targeting has shown that the level of investment in monitoring required to achieve what can be considered as reasonable targeting is unsustainable and administratively unscalable. In the worst case scenarios in Malawi and Zambia, the targeting has been comparable to random sampling (see Watkins, 2008 and Seaman et al, 2008)

Given that at least 30 per cent of the poorest households contain an older person, a universal pension is therefore likely to be just as effective and efficient in targeting poverty reduction amongst the poorest households in Tanzania as supposedly more targeted initiatives. A pension would also be cheaper, easier to implement and more politically sustainable.

e) Poverty targeting is socially divisive

Evidence is now starting to emerge from a range of poverty-targeted programmes of the damaging impact that poverty targeting has on community relations. This is particularly true where communities are forced to target amongst themselves or when targeting criteria are used which do not reflect local understandings of vulnerability. In this context poverty targeting can undermine existing social support mechanisms. For example, community members interviewed by the feasibility study team in TASAF CB-CCT locations frequently stated that they did not understand why some people had been selected for the programme and others had not been and claimed that many of the poorest people in their community had been excluded. In contrast, universalist approaches are non-discriminatory, promote social cohesion and protect existing traditional, community-based social protection mechanisms.

Similarly, in a focus group discussion with around 30beneficiaries of the Kwa Wazee cash transfer programme, it was reported that the relationships with non-targeted community members had sometimes deteriorated as excluded households felt unfairly discriminated against. This has resulted in examples of intimidation and discrimination against programme beneficiaries. The fact that over 82 per cent of older people reside in rural areas – where poverty is greatest and income differentials are lowest – is likely to exacerbate this problem. Targeted beneficiaries would quickly ‘overtake’ non-targeted older people as a result of the extra pension income, resulting in a frequent requirement for re-targeting.

“Poverty targeting would create a lot of conflict. It would cause lots of problems for the leaders and put them in a very difficult position. It would also be very politically sensitive and people would suspect discrimination which is against the Constitution.”

(Local government official in Muleba)

f) Poverty targeting is politically unpopular

In many countries, a social pension is implemented in recognition of the contribution that older people have made to the development of their countries throughout their lives. Even though they may not have made formal pension contributions, all older people will have paid indirect taxes, contributed to the economy through their labour and contributed to their communities. The wealthy are often those who have contributed the most in taxation and it may therefore prove politically unpopular to exclude them.

Local government officials interviewed during the feasibility study also argued that the general public would assume that any targeting process carried out as part of pension implementation would be corrupted or otherwise manipulated. In this respect, poverty targeting could be seen to undermine Tanzanian decentralisation efforts and the development of the social contract, and to promote cynicism about accountability in public services.

C.1.4 Receipt of other state benefit

It has been suggested that retired civil servants who are receiving a state pension should be excluded from the universal pension – a punitive form of so-called 'pension testing'. This may of course have the benefit of slightly reducing the cost of the scheme. However, strong arguments also exist for including retired civil servants in the scheme – at least in the short term.

a) The proportion of the older population receiving a state pension remains extremely small. The cost savings involved would therefore be very low and would be partially off-set by the additional administrative costs required.
b) Excluding recipients of public and private pensions completely would disincentivise saving in contributory pension schemes and further promote lump-sum withdrawals from pension funds in order to make people eligible for the social pension.
c) Many retired public servants receive very low pensions and remain vulnerable.
d) Excluding retired civil servants would be politically unpopular and would reduce middle class support for a scheme which will have major pro-poor developmental impacts.
e) Identifying pensionable civil servants will be administratively demanding and would be likely to open up opportunities for corruption. This could result in negative media coverage and politicisation.

Simple illustrations of pension system models shown in Figures C.1-4 highlight the current situation in Tanzania, where only the small number of civil servants and wealthier formal sector employees have access to old-age income security through the contributory pension system. Figure C.2 illustrates so-called 'punitive' pension testing, which involves excluding all those with another form of pension income from the social pension. Figure C.3 depicts a 'tapered pension testing' model which involves gradually reducing payments from the social pension as income from contributory pension increases. While tapered pension testing is increasingly seen as best practice, it is a complex undertaking which requires strong administrative capacity. Given the weaknesses that exist within Tanzania's social security funds – particularly in terms of record-keeping – it does not seem a viable option in the short term. Full universalism is therefore recommended over the short-to-medium term with the possibility of introducing tapered pension testing as advances in administrative capacity allow. Figure C.4 illustrates the recommended model for the short term.

C.1.5 Residence-based pensions

Residence-based pensions are quasi-contributory pensions with each year of adult residence counting as a contribution towards an old-age pension. A person with fewer than the required years of residency might only qualify for partial pension payments. This type of arrangement is common in northern Europe and the Tanzanian government may wish to adopt this approach – particularly in the context of growing cooperation within the East African Community (EAC) on social security policy. International experience suggests that a minimum of 10 years residence could be considered a reasonable official policy prescription and would be tied up with requirements to prove citizenship and/or current residence.

Figure C.1 The current pension system(low coverage)

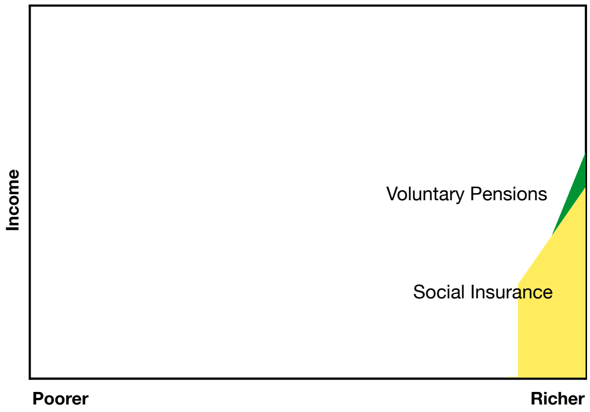


Figure C.2 Punitive pension-testing

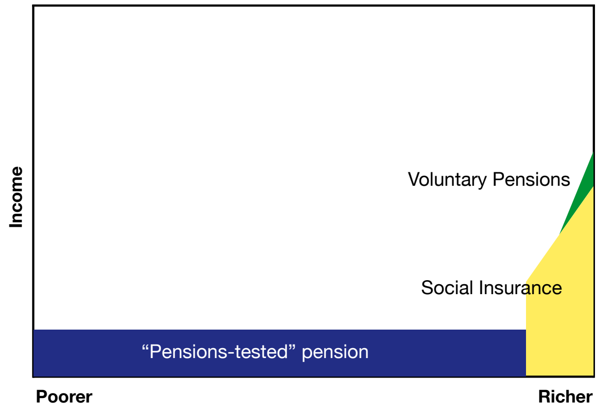


Figure C.3 Tapered pension testing

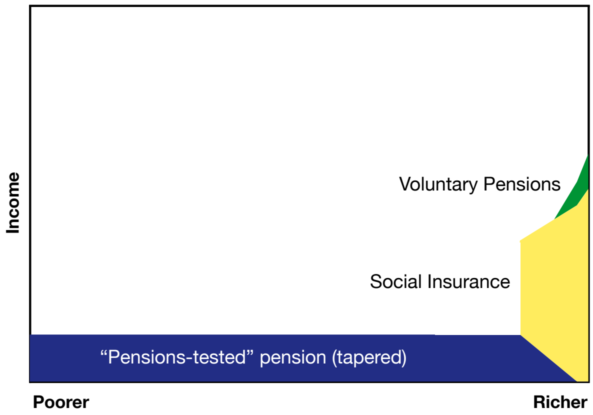
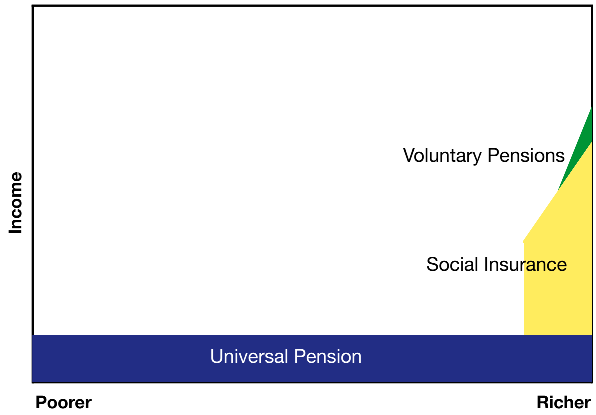


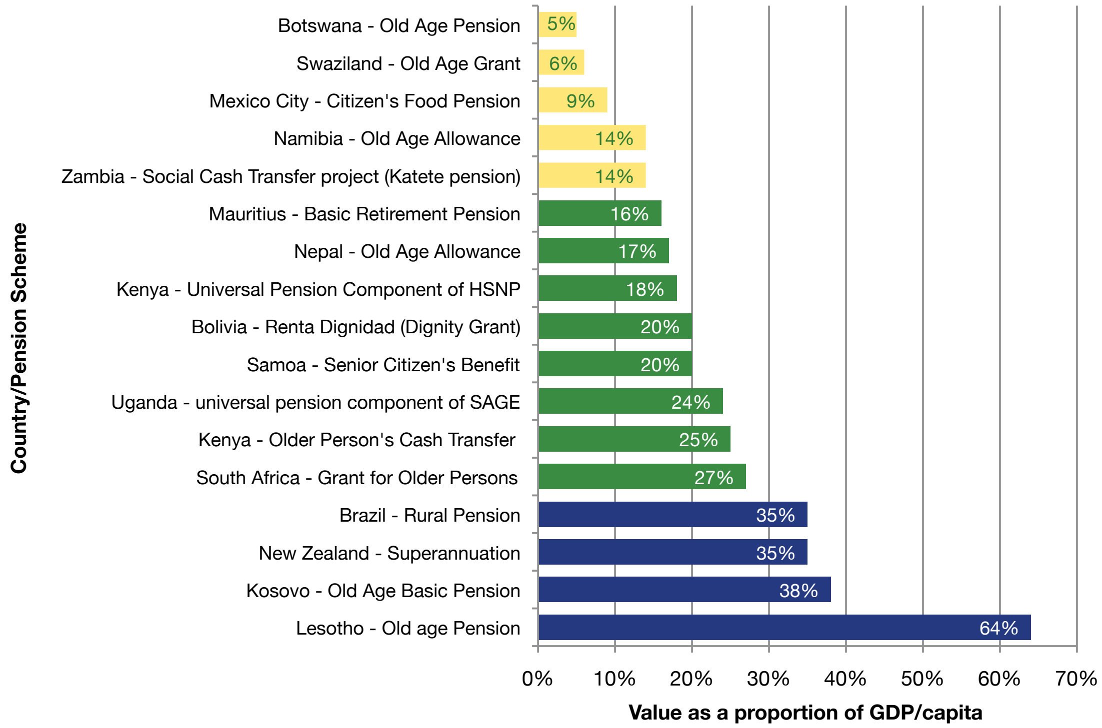
Figure C.4 Universal foundation pension pillar



C.2 Setting the pension transfer value

Social pension payment values tend to be measured in terms of GDP/capita, per capita consumption or as a proportion of the poverty (or ultra poverty) line. The value of a transfer to any social group is always a fundamentally political decision and one which involves a trade-off between the desired impact on the targeted group and the cost to the state. Figure C.5 provides a summary of data on social pension payment levels from a number of social pension schemes – most of which are universal or near-universal. The graph identifies three main clusters of transfer levels: 0-15 per cent of GDP/capita; 15-30 per cent of GDP/capita; and 30 per cent of GDP/capita and above. From this it is clear that, by international standards, a universal pension paying over 60 per cent of GDP/capita – such as Lesotho's – could be considered extremely generous while 10 per cent of GDP/capita – as in the case of Mexico City – would be considered meagre. Half of the 16 schemes indicated on the graph fall into the 15-30 per cent of GDP/capita category – including those found in two of Tanzania's neighbouring countries (Uganda and Kenya).

Figure C.5 Social pension transfer values around the world



Source: data compiled by authors and accurate as of January 2010

To put the existing cash transfer programmes that target older people in Tanzania into their international context, the TZS 7,000 currently paid as part of the Kwa Wazee programme in Muleba is approximately 16 per cent GDP/capita (in 2007 prices). However, it should be remembered that most older people enrolled in Kwa Wazee also receive additional top-ups for child dependants receiving, on average, TZS 11,000-15,000/month. On the other hand, TASAF's CB-CCT programme is paying TZS 7,500 per older person plus an additional TZS 3,750 every two months per dependent child. Assuming 3 dependent children per older person, this equates to around TZS 13,125 per month – roughly 30 per cent of GDP/capita (in 2007 prices). Finally, the TZS 15,000 in 2009 proposed for a universal pension within the ILO's 2008 Social Protection Performance and Expenditure Review corresponds to 31 per cent of GDP/capita in 2007 terms. Against this background, and for the purposes of simplicity, costings for the following monthly transfer levels are simulated in Part D.[22]

Table C.2 Social pension transfer values for costings exercise (2007 prices)

Transfer value (TZS) 2007 prices	Percentage of GDP/capita 2007
6,000	14
8,000	18
10,000	23
13,600[23]	31

C.2.1 Indexing pension levels

As is the case with setting pension levels more generally, the decision on whether and how to revise social pension levels over time is always fundamentally political but is essential in one form or another to prevent the relative value of the pension being eroded over time. Two main options exist: price indexing or linking to average wages – the latter tending to be costlier to the state than the former.

22 Figures presented in this paragraph and the above table are expressed in 2007 prices. The corresponding values of the transfers used to simulate costings in 2010 terms are TZS 7,316, TZS 9,755, TZS 12,194 and TZS 16,588 respectively for the three proposed transfer levels.

23 13,600 in 2007 translates to the ILO transfer of 15,000 in 2009 terms

C.2.2 Payments to older couples

Some social pension schemes reduce the fiscal burden by paying slightly reduced pension payments when a married couple live together, in recognition of the economies of scale. However, in the medium term at least this appears unnecessary and impractical in Tanzania.

C.2.3 Increased pension payments for the 'older old'

Some countries recognise the extreme vulnerability and care costs associated with very old age by providing elevated pension payments to those over more extreme age thresholds. In Mauritius, for example, the small number of people aged between 90 and 100 years of age receive pensions at 48 per cent of GDP/capita and those over 100 years receive 55 per cent of GDP/capita. This is an increase from the 16 per cent GDP per capita received from 60 years of age (Ministry of Social Security, Senior Citizens Welfare and Reform Institutions, Republic of Mauritius). However, in the medium term at least, this appears impractical in Tanzania.

C.3 Pension registration

The administrative simplicity of universal social pensions is one of the key explanations for their success in a range of countries around the world. Well-designed pension administration systems are cost effective, accessible to vulnerable older people, protect against fraudulent applications and minimise 'leakage' of fiscal resources to ineligible individuals.[24] Social pension registration mechanisms essentially involve two key processes:

a) **Eligibility verification**. In the context of a universal pension, this involves confirmation that the applicant has crossed the required age threshold and is a citizen of the country in question.

b) **Enrolment**. This stage involves submission of information to allow identification of registered pensioners (and any person whom they nominate to receive the pension payments on their behalf) by pension payment service providers (e.g. banks, post offices). This could involve biometric data such as finger-prints and taking of photographs. Enrolment also involves production and distribution of materials such as ATM cards or pension payment record books that are used as part of the payment process.

In some cases, eligibility verification and enrolment may all be done at the same time. In other cases, eligibility verification and the first half of enrolment (i.e. submission of information) may be done together while the latter half of enrolment (the production and distribution of materials relating to the payments system) may be done separately. In addition, provision needs to be made for removing individuals from the pension payroll when they die.

Both eligibility verification and enrolment mechanisms tend to depend on existing civil registration systems[25] to facilitate identification of eligible individuals and in the removal of deceased pensioners from pension payrolls. A key function of a civil registration system is to provide timely information to other government agencies including pension fund systems (UNSTATS, 2002). Where these systems are weak, as in Tanzania, extra care needs to be taken to balance the desire to minimise the risk of fraud with the need to maximise accessibility to vulnerable older people. The following discussion summarises findings from consultations with agencies involved in civil registration, older people's organisations and older people themselves. Key opportunities and challenges for verifying age and citizenship and for removing deceased individuals from the pension scheme payroll are identified and a number of options are provided for achieving a robust administrative system for a social pension in Tanzania.

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24 On the other hand, poorly designed administrative systems expose pension schemes to fraud. Namibia's post independence programme initially suffered from a mixture of low coverage and fraudulent claims with children and grandchildren continuing to collect pension payments years after the death of a pensioner (Subbarao 1998). Willmore (2007) also reports that Botswana's pension initially experienced over-registration equivalent to an additional 17 per cent but this was later resolved by outsourcing the payment service provider. Elsewhere, this seems to pose less a problem with the number of people registered for the universal pensions in Bolivia and Mauritius only 5 per cent and 3 per cent more than the census projections for the relevant age groups. The absence of any significant documented fraud in Mauritius also suggests that some of the presumed fraudulent applications are in fact genuine and that it is the population data which is slightly inaccurate.

25 Civil registration is defined as the universal, compulsory, continuous and permanent recording of vital events pertaining to a population as defined through decree or regulation in accordance to the legal requirements in each country. Civil registration is primarily carried out for the purpose of establishing legal records which are required by law. This primarily includes live births, deaths and marriages as endorsed by the United Nations. In essence civil registration involves the gathering of basic information regarding an event upon which legal records are prepared and from which vital statistics can be drawn. For a functioning civil registration system the following components are necessary; civil registration administrative infrastructure, legislation, population participation and data protection, as well as audits, checks and balances (United Nations Statistical Division 2002).

C.3.1 Opportunities and challenges within Tanzania's civil registration systems

Tanzania's civil registration system: birth and death certification

Despite a range of capacity-building initiatives led by government and supported by a range of bilateral and multi-lateral agencies, Tanzania's civil registration system remains relatively under-developed. In terms of the characteristics of civil registration, Tanzania has made progress in recent years. Registration of births and deaths is compulsory and embedded in the Births and Deaths Registration Act which was redrawn in 2002. In addition, the Registration, Insolvency and Trusteeship Agency (RITA) was established in 2006 to lead the improvement of the national civil registration system. Although this agency is in its infancy, it should provide the continuity and permanence required for effective civil registration. However, coverage of legal records of births and deaths, as key components of civil registration and applicable to the administration of a social pension, is low, particularly in rural areas. RITA estimates that access to birth certificates currently stands at only 19 per cent of the population and is likely to be biased towards the younger generations where birth certificates are required for access to education. Challenges in extending coverage largely relate to weak administrative infrastructure. Whilst institutional capacity is being strengthened at central level through the computerisation of current records, it remains weak at regional and district levels. Death certification at local level faces steeper challenges in terms of coverage due to lack of incentives. Furthermore, consultations with RITA highlighted the fact that future ambitions to extend BDR through the Universal Birth and Death Registration Programme place particular emphasis on the birth certification component as a priority. As a universal pension is implemented, it will be important to incorporate robust age verification amongst middle-aged and older people who seek birth certificates in order to gain access to the pension.

The situation of civil registration poses a range of governance challenges to the Tanzanian state and impedes full implementation of a range of governmental functions and policies.[26] While a comprehensive system of births and deaths registration would clearly resolve many of the challenges associated with pension eligibility verification, realisation of RITA's vision appears to remain some way off. However, a number of initiatives have been put in place to broaden access including regular birth registration campaigns across the country. This has good implications for suitability in the long term. A universal pension could serve to strengthen the value of universal coverage of the civil registration system in terms of births and deaths, and subsequently could improve resource allocation and political support to strengthen the system. In the short term, eligibility verification has to rely on other systems of identification. Alternative population registers were assessed during the feasibility study in terms of their coverage and suitability for eligibility verification. These are outlined below in relation to their relevance and linkages to overall pension registration.

National Identification and Registration of Persons Programme

The National Identification Authority (NIDA) within the Ministry of Home Affaires has embarked on the National Identification and Registration of Persons Programme and plans to launch the National Identification project in 2010. This constitutes a major step forward in achieving a single form of identification that is universally accessible. However, it is still in its early stages and rests on close integration with comprehensive civil registration (including marriages, divorces etc) which is some way off. This is particularly true given the current lack of incentives for public engagement with civil registration service providers. In the short term, the current situation where a significant number of people have no form of official identification whatsoever will persist for some time.

The Permanent Voters Register (PVR)

The current Permanent Votes Register (PVR) system was established in 2004 by the National Electoral Commission (NEC) and has received substantial government support in recent years. The NEC has become one of the very first government agencies to fully computerise their data systems and has established a sophisticated biometric data-based mechanism to guard against fraud and error. It is expected that around 95 per cent of the voting age population (around 21 million people) will have been registered in time for the 2010 general election.

NEC activities are facilitated by local government authorities and national registration campaigns were carried out in 2004, 2007 and 2009/10. Voter registration campaigns respond to local conditions and may be implemented at village or sub-village level to maximise accessibility. Local government staff, primary school teachers and even churches are commonly co-opted to implement the exercise. Usefully, from the perspective of pension registration systems, the NEC requires confirmation of date of birth as part of voter registration procedures and

26 For example, the maintenance of population registers, personal identification registers, electoral rolls, pension fund registers, access to free primary education and healthcare is currently being limited for children and older people respectively by the inability of many eligible applicants to provide official proof of age.

this information is recorded on the back of the laminated voter's card. Where the exact date of birth is unknown, NEC officials may use local calendars of events to make an estimate or can enter the year of birth alone. Where the year of birth is known but the date is not, NEC officials tend to either enter the year alone or use a nominal date – usually the 1st June. At present, there is no clear incentive to mislead voter registration officials about an applicant's age. However, unlike a civil registration system, the PVR does not provide vital statistics which would place greater importance on the accuracy of age data. As a result, age information is collected based on personal testimony and no supporting documentation is required. In the event that an applicant does not know their date of birth the NEC official can simply identify the card holder as 'Adult' on the reverse of the card.

Although data entry into the PVR was still taking place during this feasibility study, the NEC has provided a preliminary indication of coverage amongst older men and women as well as information on the state of age data within the PVR. This is presented in Table C.3 below.

Table C.3 Number of older men and women registered on the PVR and the number of voters registered as 'adult'

Sex	Above 60	Above 65	Above 70	Above 75	Number registered without date or year of birth
Male	728,655	476,983	304,611	178,252	1,672,130
Female	385,817	232,775	135,253	71,835	2,634,688

The above data indicates that around 1.1million older people in Tanzania possess a voter's card which specifically records their age – around 56 per cent of the total population of older people. This suggests that voters' cards could be used to verify the age of applicants for the social pension for a very large proportion of the population. Moreover, there also appears to be considerable scope for linking voter and pension registration exercises, particularly age verification procedures for people who lack official forms of identification. Indeed, given the challenges faced by the NEC in removing deceased voters from the PVR, such collaboration could be of mutual benefit.[27] Should an adequate funeral benefit be incorporated within the design of Tanzania's social pension, this could result in increased up-take of death registration services which could, in turn, inform PVR up-dating processes. Alternatively, the PVR could be regularly counter-checked against the pension scheme's management information system. On the other hand, the NEC has also pioneered a number of interesting approaches which could be adopted within the social pension scheme design. For example, the 'voter interaction system' allows people to receive information about the election process – including the location of voting stations – through Short Message Service (SMS) messages on their mobile phones. This example of good practice could certainly be replicated within a pension system in the event that mobile phone technology was incorporated into the payments delivery system (see section D.7.3 on the potential for using mobile money transfer services to deliver pension payments).

However, the data above also indicates that the PVR presents a number of challenges from the perspective of pension registration. Older men are not only far more likely than women to be registered for a voter card but also twice as likely to have had their date of birth recorded at the point of registration. Furthermore, older women appear less likely to have been registered than men as age increases. Finally, the presence of much higher numbers of women with no age data on their card suggests that women are far less likely to know their date or year of birth than men. This is significant for the design of pension registration systems and indicates the importance of establishing age verification mechanisms for the pension which are sensitive to the needs of older women. Further research will be required on this issue as part of a detailed design process.

Village registers

Tanzania's system of village registers records the ages of all household members. In the absence of any incentive to misreport age to the VEOs responsible for maintaining the registers, age records tend to be based to personal testimony and no supporting documentation is required. In cases where people do not know their date of birth, village leaders may estimate age with reference to local historical events or by making comparisons with other community members for whom the date of birth is known. The village registration system is, however, weakly institutionalised within the broader local government system. Registers tend to be updated in an *ad hoc* fashion by village executive officers or during local campaigns rather than at regular periods throughout the year. In sample registers viewed during this feasibility study, age was recorded in village registers rather than date of birth. In this sense the village registers simply provide a 'snap-shot' at a particular point in time rather than an

27 As a result of weak death registration systems, removal of deceased voters from the PVR needs to take place during campaigns rather than on an on-going basis. In the first phase of updating the PVR, 69,000 were reported deceased and had to be removed from the register.

ongoing system of data collection. Local officials interviewed reported that community members tended not to see the value of the village registers and sometimes resented providing information. This is particularly true of death registration.

Field visits to Morogoro municipality gave an insight into the status of the urban counterpart to the village registration system. Registers were distributed at the Mtaa level for the Mtaa Executive Officer to complete in the same way as the village registers. However, recent monitoring activities (2008) by the municipality have found that there is currently uneven coverage of these registers. Consultations with the municipal economist revealed that whilst the urban setting is quite different from the rural setting, every household is reachable through the Mtaa system. A recent example of how enrolment of the urban population can be facilitated through the Mtaa system was the successful registration efforts to update the Permanent Voters Register (as discussed above).

It is common practice for VEOs and WEOs to issue official letters confirming age or residency of individuals. For example, TASAF's CB-CCT requires VEOs to issue letters of confirmation as part of verifying eligibility for the programme and many private and public sector service providers require similar confirmation as part of application processes. Age verification for official documentation that can be accepted to verify eligibility could be confirmed by the same method.

Other state and non-state sources of age verification

Health cards and other forms of state-issued documentation can be used to verify eligibility. In particular, health cards, passports and marriage certificates. There is similarly low coverage of these forms of documentation in rural areas. More common are non-state issued documentation that can be used for age verification including baptism cards and marriage documentation from faith institutions. These could be used as interim proof of eligibility for a period of time that would allow the recipient room to access fully endorsed forms of identity documentation. This has been the system of eligibility verification in Namibia for its universal old age pension. Similarly employer's letters have been highlighted as potential supporting documentation that can help an applicant register for the pension.

Box 5. Addressing age verification challenges in Morogoro Municipality

The impact of the healthcare user fee exemption regime has been limited due to the incomplete coverage of existing civil registration systems and the subsequent inability of some older people to prove their age to healthcare professionals. In response to this, the Department of Community Development and Social Welfare in Morogoro Municipality has been working with a local NGO – the Morogoro Retired Teachers Association (MORETEA) – to issue 'local identification cards' to older people. In this interesting example of collaboration and innovation, guidelines for age verification were issued by the local government authority and MORETEA staff conducted a house-to-house survey issuing local ID cards to older people who lacked any other form of identification. Mtaa chairpersons and Executive Officers were fully involved in the process and ID cards were individually authorised by the Municipal Director. The TZS 3.5m initiative was financed by the Municipality and local government officials expressed full confidence in the integrity of the age verification procedures conducted by MORETEA.

C.3.2 Conclusions on the feasibility of reliable eligibility verification

Tanzania has a long history of verifying the age of older people as part of assessment of eligibility for a range of public and private sector services. In the immediate post-independence period, the age of older people was determined as part of a policy of exemption of older people from communal work undertaken as part of the villagisation initiative. Today, age verification is carried out by a large number of agencies and a range of data sources exist and it seems entirely possible that age verification for the majority could rely on a combination of state-issued documentation (e.g. voters' cards, birth certificates, health cards etc) and reliable non-state issued documents (e.g. baptism certificates and employers' letters). However, it is also clear that a significant minority lacks any official form of identification. The challenges discussed above suggest that more formal and robust procedures need to be put in place to cater for these people. These procedures should build on the experience to date in Tanzania (for example, age verification carried out as part of the national census; for assessing eligibility for free access to healthcare and voter registration) but also reflect international best practice. The government of Tanzania may, for example, chose to replicate arrangements such as Botswana and Kenya's age verification committees which involve reference to local historical events and public testimony. These community-level committees could be chaired by VEOs who would be responsible for recording committee meeting minutes and issuing letters of age verification which could then be used in support of an application to register for the pension. Age verification for a pension could also be coordinated with initiatives such as voter registration and/or healthcare campaigns to improve efficiency.

C.3.3 Options for registration system design

Following the discussion above on age verification and eligibility verification, this section sets out two key options for registration system design in Tanzania.

OPTION 1: Age verification completed as part of an on-demand registration mechanism

The simplest solution would be to allow older people with access to accepted forms of identification to register at ward-level registration points. The age of older people without identification could then be verified through age verification councils overseen by VEOs. VEOs could then issue letters confirming eligibility which can then be used at ward-level registration points where the enrolment process would then be completed. Although simple, this system does have the disadvantage of incentivising misreporting of age which could result in fraud. One way of minimising this risk would be for age assessment to be done for the entire population in the year prior to the launch of the pension and data entered into the household registers. Complete household registers would then serve as a baseline for future applications with VEOs referring people to registration points on an annual basis as and when they become eligible. Maintaining the integrity of the initial age assessment exercise by completing this prior to the announcement of the pension launch will be of paramount importance.

OPTION 2: Automated or semi-automated age verification

Clearly the process outlined in option 1 could prove susceptible to a degree of fraud associated with misreporting of age. Although international experience suggests that this risk can be managed (and would certainly be reduced by outsourcing payments delivery to the private sector), it would of course be preferable to minimise this risk. This could be achieved by undertaking age verification for the entire population (using a similar methodology as described above) as described in option 1 but then entering the data into a national database – perhaps linked to the Local Government Management Information System and/or other national datasets. In future years therefore, eligible individuals could be automatically identified at central level. Lists of eligible people could then be sent to each village inviting enrolment at ward level. This option would ideally be set in the context of a broader capacity-building programme designed to ensure that the village register system is better institutionalised, maintained and connected with the broader civic registration system. Provision would ideally be made for full digitisation of the village register system with local government officials empowered to amend the database either through a traditional reporting structure or even using portable computers connected to a central database using GSM/GPRS communications technology.[28]

On-going vs. periodic registration

Irrespective of the approach taken on the above issues, it is necessary to decide whether registration is conducted on an on-going basis (i.e. as soon as people become eligible) or only in specific registration periods. The advantage of open-ended registration is that it is less likely to result in people attempting to register at the wrong time in a context where communication of accurate messages to the public can be challenging. On the other hand, fixed-duration registration periods – perhaps linked to other state activities which require mass mobilisation, such as voter's registration – would be less administratively demanding and therefore less susceptible to bottlenecks. To a certain extent this decision will also depend on the approach taken to pension payments delivery. More sophisticated approaches (such as those that involve mobile telephone technology) are likely to be best integrated with well-managed, fixed-duration registration periods conducted every six or twelve months. It is also important to note that exact dates of birth are unlikely to be available for most older people and many common forms of official identification (especially many voters' cards) provide the year of birth alone. Investing in an on-going registration exercise is therefore probably unnecessary in the short term but may become more relevant as Tanzania's wider civil registration system develops.

Reducing risk through improved death registration

Under-reporting of deaths is a key governance challenge in Tanzania which affects many areas of Tanzania's civic registration system. As a result, many households continue to retain official documentation relating to deceased members of the family (e.g. birth certificates, voters' cards etc) and the state lacks any mechanism for verifying that the owner of these documents is still alive. It is therefore important that pension scheme design limits the fiduciary risk posed by continued claims for pension payments by family members of deceased older people. A number of options exist.

1) **Automatic termination of payments at a certain age threshold and requirement to re-register** A simple threshold could be set based on average life expectancy at the age of eligibility of the pension. I.e. if eligibility for the pension was set at 60, re-certification could be required at age 75. Although this simple strategy has been employed in other countries, it is likely to exclude some poor older people

28 This approach is being adopted within Uganda's new Social Assistance Grants for Empowerment (SAGE) scheme which includes a major universal social pension pilot.

who would be unable, by the age of 75, to travel in order to re-register. One possible variation is for VEOs to provide letters confirming continued eligibility either at a set age threshold or annually.

2) **Older people required to access pension payments themselves** Many pension schemes allow older people to nominate a family member or friend to collect their pension payments on their behalf. However, forcing older people to collect it in person would prevent family members from continuing to claim pensions after the death of the eligible older person. Although extremely effective at preventing this type of fraud, this strategy does not appear appropriate for Tanzania as it would likely lead to the exclusion of many of the poorest older people and their families.

3) **Incentivise reporting of death by paying a funeral benefit** It is common for social pension schemes to offer a funeral benefit to families of deceased pensioners. This not only helps these families cope with the economic shock associated with funeral costs but also can be used to incentivise reporting of death to pension administrators. The level of this funeral benefit needs to be adequate – perhaps the equivalent of 3-6 months of pension payments.
   Alternatively, the procedures for payment of a funeral benefit could involve reporting the death to RITA. Assuming that death registration systems could be linked to a centrally managed pension scheme database, this would not only result in the removal of deceased pensioners from the pension payroll but would also strengthen the national BDR system.

4) **Link improved death registration within village registers to pension databases** This option assumes that the village registration system could be adequately strengthened, with the VEO taking responsibility for submitting death records to the pension administrators through existing local government systems.

C.3.4 Conclusions on the scalability and sustainability of pension registration in the context of decentralisation

Registration and de-registration mechanisms for a universal social pension scheme in Tanzania should be implemented through the local government structures led by the Prime Minister's Office for Regional and Local Government (PMO-RALG). Village committees, village governments, VEOs/MEOs, Ward Development Committees and WEOs should all be harnessed in a sustainable manner – potentially in collaboration with other initiatives such as voter registration campaigns – to implement registration processes and manage simple grievance mechanisms. These structures would need to be monitored and receive support from ward- and district-level Community Development Officers (CDOs) although this would be far less demanding than is the case with existing social transfer schemes in Tanzania. Social Welfare Officers (SWOs) should also be involved to ensure that the pension is implemented in an equitable and accessible fashion. They could adopt the role of beneficiary advocate within the scheme, an important role for ensuring service quality and protecting the rights of the vulnerable.[29] CDOs and SWOs would also play an important role in ensuring that the most vulnerable beneficiary households access complementary services and initiatives. On-demand registration services would likely need to rely on ward-level administrative structures although limited provision for home visits should be made for bed-ridden older people and during the initial round of registration.[30]

Although the relative simplicity of social pension scheme administration suggest that a pension scheme could be sustainably implemented through existing local government systems, adoption of the following measures will reduce administrative costs and increase the efficiency and effectiveness of the scheme:

- Conduct registration on an annual basis initially, with open registration mechanisms developed over time.
- Provide on-demand registration services at ward level. Simple and quick community-level age verification procedures will be required for a sizeable minority and these should be overseen by VEOs and/or WEOs and other local government staff.
- Explore the potential for automated or semi-automated linkages between pension registration mechanisms and household registration systems. This would involve significant up-front investment but would greatly increase the efficiency of pension scheme administration (and other areas of local governance) over the longer-term.

29 Members of the Youth Coalition also expressed concern that older people could be at risk of abuse and exploitation in a small but significant number of cases from youth suffering from drug or alcohol dependency.

30 Due to time constraints it was not possible to complete the planned geospatial analysis of the accessibility of ward-level local government offices. Should the pension scheme be approved, this analysis should be conducted as part of a more detailed operational planning process.

- Incentivise death registration and/or other measures identified above to reduce fraud.
- Incorporate the full range of state and non-state forms of age verification. Including household register data, voter cards, baptism certificates and testimony from VEOs/WEOs/MEOs.
- A realistic national roll-out schedule. Full coverage only likely to be completed in three to five years.
- Harness demand from service users for civil registration services and promote accountability of local government authorities to service users.

National-level management and policy oversight could be conducted by the Ministry of Labour, Employment and Youth Development and would largely involve implementing a systematic monitoring and evaluation function in partnership with PMO-RALG and the Ministry of Finance and Economic Affairs. National-level management functions would also involve managing systems linkages with agencies such as RITA, NEC and NBS as well as any private sector payments service providers. Finally, links would need to be established with national monitoring and evaluation systems managed by the Department for Poverty Eradication and Economic Empowerment (DPEEE) within the Ministry of Finance and Economic Affairs.

C.4 Payment delivery options

C.4.1 Lessons from the contributory pension system

The payment delivery mechanism for a universal social pension is not necessarily in any way related to the payment delivery systems used by social security funds. Whereas the vast majority of pensionable civil servants and private sector workers live in or near urban centres, the majority of social pension recipients would reside in rural areas where financial and transport infrastructure is often under-developed. A payment mechanism for a social pension would also need to consider that many recipients would be illiterate and vulnerable to exploitation. Nonetheless, a number of lessons can be learnt from the experience of the social security funds in managing the fiduciary risks associated with pension payments.

At consultations held with the full range of social security funds in January 2010, it was reported that, while the contributory system faced a number of challenges, the actual payments mechanism appeared to work relatively well, with power cuts being the main challenge to the system. This positive situation was seen mainly to be a product of the fact that most formal sector pension recipients live in urban centres where access to financial service providers is adequate. The main problem experienced by social security funds was the fraudulent collection of pension payments by the relatives of deceased pensioners. In response to this, the NSSF has stopped using banks to make payments as it is impossible to verify the identity of ATM users and now uses the Post Giro service described below. The NSSF also places full liability on the post offices for ensuring that the right people are paid. Pensioners collect payments in person and the post office is responsible for informing NSSF in the event that payments are not collected. On the other hand, the PSPF gives pensioners a choice of payments service – either the NMB or Post Giro – with most opting for NMB. PSPF pensioners have to confirm every six months that they are alive through a letter verified by a lawyer. However, the Local Authority Pension Fund (LAPF) is also considering extending payments beyond death to help remaining household members with funeral costs etc.

C.4.2 Designing a payments mechanism for Tanzania's social pension

The choice of payments delivery mechanism will be absolutely critical to the success of a pension scheme in Tanzania. On one hand, the predictability of payments is paramount as this is key to enabling people to plan their expenditure and take the economic risks essential for progress. Late or irregular payments can foster a reliance on informal credit, often at high interest rates that undermine benefits and can create debt traps. On the other hand, a robust, auditable and accessible payments delivery mechanism will be required to guard against fraud, maladministration and the associated public criticism. However, evidence from other countries in the region suggests that a carefully designed payment mechanism can not only achieve reliability, accessibility and accountability but also provide opportunities for wider development impact. Examples include the option for beneficiaries to save a portion of their pension payment, send and receive private transfers more safely and cost effectively and access other financial services. These additional design elements can provide opportunities in poor households for asset accumulation, reducing vulnerability to shocks.

The launch of a universal social pension in Tanzania could also be used to encourage financial service providers to develop new products and to improve the financial services infrastructure. Improved access to financial services for the wider community would have a significant developmental impact and increase support for the scheme amongst non-beneficiaries.

Payment mechanisms can be broadly divided into two types:

- ‘Pull’ or low utility mechanisms: These are the most basic payment services with no additional design elements. Beneficiaries are typically required to collect their payment on a fixed date at a fixed location. In Tanzania, district bank branches, post bank, post offices or government offices could be used. Typically a manual process is used to disburse payments which may be open to fraud and mismanagement. These types of mechanism tend to involve longer journeys to access cash and long queues as everyone is being paid at the same time. International experience shows that although this approach is initially cheaper for government, the cost of access to beneficiaries is higher and negative economies of scale exist.

- ‘Push’ or higher utility mechanisms: These types of mechanism generally have more points of access and additional design elements to enhance the economic impact of the transfer. Typically they use technology to streamline the delivery process. Cash is credited directly to recipients via an intermediary device such as a smartcard, bank account or cell phone. Recipients can then choose when and where is best for them to access their cash payment. There are frequently a large number and variety of outlets that can be used to access payments through agency agreements. These types of delivery mechanism tend to harness expertise within the private sector, which reduces the pressure on Government capacity and also supports the development of private sector infrastructure. These mechanisms generally have higher utility to beneficiaries, and economies of scale but also tend to involve higher set-up costs.

Table C.4 provides a summary of key examples of ‘push’-type payment methodologies being used in social transfer schemes – including pensions – in the region.

C.4.3 Options for pension payments delivery

Low utility and community-based options

The absence of private sector infrastructure at community level means that there are only a few realistic low-tech options for delivery of payments for a national social pension scheme. Harnessing local government structures would, in theory, be a relatively simple approach. Indeed, a small number of retired civil servants (approx 54,000 in 2006) continue to receive their pensions directly from government and this system could perhaps be built upon. However, in reality this approach is not only likely to experience a number of challenges associated with the financial management capacity of local government authorities, but also exposes the programme to high fiduciary risk as registration and payments delivery mechanisms should, ideally, be separate functions. This option is therefore not recommended except as a short-term measure or where gaps in the capacity of an alternative model are present.

Post Giro is a multi-purpose payment system run through the 238-strong Post Office network. Financial transfers are transferred electronically to regional offices with payslips and then physically sent by post to district-level post offices ready for issuing payment. Post Giro’s customer base includes 17 corporations and three pension funds with 93,000 transactions made per month. Fifty per cent of these payments are however made in Dar es Salaam and a further 20 per cent at district level. Therefore only around 30 per cent of payments are made outside of urban centres. The system also appears to have minor links with the Postal Bank’s commercial agent network and this could be built on to achieve the necessary level of coverage.

The TASAF CB-CCT project offers an alternative solution and has piloted a unique approach to delivering cash transfers through project committees. This is described in more detail in Box 3 above. This mechanism could prove useful in particularly remote areas or as a short-term measure while contracted financial service providers develop their service models. However, it is likely to be a high risk strategy.

Other community-based options include building on the network of Savings and Credit Cooperatives (SACCOs) and the Village Community Banks model known as VICOBA (see Box 6). Both of these options would likely require substantial investment in capacity building and strong control mechanisms but linking the pension scheme to these initiatives could have wider developmental benefits and/or maximise accessibility.

Table C.4 The wide range of social transfer payments delivery mechanisms in use in the region

Country	Social transfer scheme	Payment technology
Namibia	Universal pension	NamPost – Namibia's postal service – manages social pension payments and has begun to issue pensioners with smartcards, which they can use to draw their pension from ATMs.
Kenya	Hunger Safety Net Programme (includes universal pension component)	A commercial bank has been contracted to establish and manage a network of small-scale traders who serve as payments agents. Agents are equipped with Point of Sale Devices (POS) that use GRSM technology to connect with national databases and beneficiaries are issued with biometrically labeled 'smart' cards which allow access to payments. Payment agents distribute cash from their own funds and the bank reimburses them directly into their bank accounts. See Box 7 for further details.
Kenya	OVC Cash Transfer Programme	The payments process managed by the post office. Historically this involved a manual process, although a private sector payment service provider is being sought from 2009 onwards.
Swaziland	Old Age Grant	Swaziland has undergone a tender procedure for the private sector to deliver its Old Age Grant. Standard Bank tendered for this with a proposal to open bank accounts and issue debit cards to beneficiaries. This follows on the success of an emergency cash transfer pilot carried out by Save the Children in the country.
Malawi	Dowa Emergency Cash Transfer	Net1 – mobile ATMs are accessed through 'smart cards' labeled with biometric data.
DRC	DDR Demobilisation scheme	Payments are made by agents of the mobile payment company CellPay.
South Africa	Child Support Grant	Employs a variety of mechanisms including smartcards, and basic bank accounts.

Should this option be further explored, it would be advisable for an intermediary financial institution to manage the process and provide the necessary risk management expertise. In doing so, this low utility approach could even adopt certain high utility features.

High utility payment delivery options

Postal Bank

The Postal Bank is one of Tanzania's oldest financial institutions established in 1927. It is owned 41 per cent and 59 per cent by the state and Tanzania Post Corporation respectively and is present in every region except Singida through a network of 27 branches and 120 post office agents. The bank currently has around 1.2 million customers and is experiencing slow growth of around 200 new customers per month. Opening an account[31] requires a minimum deposit of TZS 10,000 and presentation of identification such as an employer's letter or a letter from the ward secretary. The bank is aiming to grow its customer base by 15 per cent over the medium term and expects to open two to three new branches per year at district level. Recently the Postal Bank has developed a partnership with Zain's ZAP service and is receiving substantial support from the Bill Gates Foundation as it further develops mobile banking facilities. Importantly, the bank is establishing a network of non-post office agents which is expected to cover the entire country by the end of the current three-year plan. Indeed 200 new agents are expected to have been recruited at ward level by end of February 2010.

31 Although the bank offers three main accounts – the Quick account (an ATM-serviced current account); a traditional Postal Savings Account; and a fixed deposit 'save as you earn' account – many customers are increasingly moving over to the Quick account.

Box 6. The Village Community Bank programme (VICOBA)

Village Community Banks (VICOBAs) are village savings and loans schemes based on groups of between 25–30 people – often mainly women. Preliminary work has proven the model to be very successful in isolated and poor rural areas and the programme has demonstrated the capacity to mobilise and enthuse socially and economically marginalised individuals to take control of their lives. VICOBAs also serve as study circles for adult education in numeracy and financial literacy, basic risk assessment, understanding the principles of credit markets, making business plans and calculating investment returns. This can raise awareness and community capacity to demand more transparency and accountability. VICOBAs also expand the horizon for a wide variety of business opportunities and instil an entrepreneurial mind-set. Many VICOBAs now also act as a local investor/entrepreneur in their respective villages, successfully investing profits in productive activities such as milling machines, cattle dips, petty trade and water kiosks. In other instances, VICOBAs have taken over management of existing local infrastructure investments and set up operations and maintenance schemes. Many VICOBA groups are linked to other social services such as health insurance, participatory environmental conservation initiatives, livestock management and educational facilities for group members and their families

Based on these successes, a three-year initiative has been launched with the support of the Financial Sector Deepening Trust which aims to support the establishment of 2,000 new VICOBAs targeting 60,000 rural people in the semi-arid and isolated rural areas of central, northern and southern Tanzania. It is expected that the total amount of funds will exceed US$8 million by the end of the project. Training and capacity building is the main focus of the programme. Field trainers initially advise groups on saving methods, credit group responsibility and business planning, and then successively reduce their assistance.

Mobile money services

Although Tanzania's mobile money services are slightly under-developed by regional standards, the recent government initiative aimed at promoting SIM registration is expected to lead to an acceleration of the industry's development. In turn, it is expected that the uptake of these services by the general public as well as private and public sector organisations will increase. For example, the Tanzania Revenue Authority is already in discussions with at least one network about the potential for tax payments to be made by mobile money systems. Similarly, TASAF is hoping to use at least one mobile money service provider for delivering payments under its CB-CCT project. The two most established private sector service providers were consulted as part of this study (Zain's ZAP service and Vodacom's Mpesa service) although others are likely to emerge in the near future.

Vodacom's Mpesa service is the more established of the two networks, serving a customer base of 1 million people through a network of 1,800 agents. The company plans to expand to around 6 million customers and its agent network to 100,000 by 2015 and is working in association with a number of commercial banks. Agents are currently required to provide a preliminary TZS 500,000 capital investment to serve as 'float' for the service. Registered and non-registered customers are charged 0.5 per cent and 1.5 per cent user fees respectively on each transfer. Once registered, customers can buy airtime and pay bills. Customers are already using the service to repay loans to micro-finance companies.

Zain's ZAP service was launched in early 2009 and maintains a network of agents in all major towns in Tanzania. These include the post office's 260 branches. The company is starting to recruit ward-level agents in 2010 and expects to achieve 60 per cent coverage by the end of the year. 100 per cent coverage at ward level is expected to take at least two years. Agents are required to be formal enterprises registered with the Tanzania Revenue Authority (TRA). As part of the company's marketing strategy, financial education days are held in areas.

Both networks offer essentially similar services and benefits to customers. Both services are restricted to adults, with age verification undertaken with reference to official documentation such as voters' cards. In both cases customers are also able to save money in their accounts but neither offer interest on those savings. Registration for Mpesa is reportedly faster than for Zap (which may be important from the perspective of pension enrolment) although a more detailed comparison of the two services in terms of cost and efficiency would need to be undertaken should this approach be adopted.

Commercial bank services

Although a number of commercial banks operate in Tanzania and maintain extensive networks of branches, facilities below district-level are rare. With the exception of the partly state-owned Postal Bank, no commercial banks have yet established a decentralised network of commercial agents as has been the case in other countries in the region (see Box 7 on Equity Bank's role in Kenya's Hunger Safety Net Programme). However, the National Micro-finance Bank (NMB), Tanzania's largest commercial bank, has recently made moves to develop mobile banking facilities in partnership with Vodacom and Zain and has also held discussions with TASAF about potential for involvement in CB-CCT payment delivery. The NMB Mobile product allows users to check their account balances; view a mini-statement; transfer money to other NMB accounts; purchase Luku, Vodacom or Zain Airtime; and stop lost or stolen NMB ATM cards. Customers can also receive an SMS notification that salary payments have been deposited in their accounts. These types of services would add significant value to a mobile-based pension payment delivery system. It is also interesting to note that NMB offers a specific loan product for pensioners to cater for emergencies with no security requirement. The maximum loan size is 2.5 times the monthly pension payment amount to be repaid over a period not exceeding four months, in equal monthly instalments.

Box 7. Agency-based social transfer delivery in Kenya

The Kenyan Hunger and Safety Net Programme includes a pilot universal pension and is delivering cash transfers through a private payment service provider, Equity Bank, and their network of over 150 paypoints supported by five bank branches. Each paypoint is run by a local business person with sufficient liquidity in their business to finance the payment of a pre-determined set of cash transfers. Owners of suitable businesses sign an agency agreement with Equity Bank. Equity Bank then installs a POS (point of sale) device and power source if none is available. The power source is typically a solar panel, inverter and battery. Each paypoint is managed by the agent, who is required by his agreement with Equity Bank to maintain certain service levels. Recipients of the payment are issued with a smartcard that includes their name and photo on the card and their biometric finger print in the card's chip. Recipients travel to their nearest paypoint to access their cash. The agent verifies their identity through the fingerprint reader on the POS device. The agent will then disburse his cash to the recipient. The POS device credits an e-value to the agent's account equivalent to the value of cash he disbursed plus his fee for carrying out this service. Some of the key advantages of using an agency model based on local liquidity include:

- There is no need for expensive and risky transport of physical cash to remote areas.
- Payments are available continuously rather than at a single point in time. This means that waiting times for recipients should be significantly shorter.
- Local business people are a part of their local community and as such are frequently more trusted than outsiders coming to deliver cash.
- Development of the local economy: agents who are frequently local shop keepers increase the revenue of their business. Recipients may spend a portion of their cash in an agent's shop, thus increasing demand for additional stocklines and generating economies of scale.

Challenges:

- Where local economies are underdeveloped, identifying merchants with the necessary float to act as payments agents can be challenging.
- Where traders have limited float, it may be necessary to spread the recipient payment schedule over a period of weeks to avoid the agent becoming over-loaded. Communication of payment schedules to beneficiaries can, however, be difficult and may result in people trying to access payments at the wrong times.
- Agents can be exposed to some risk of robbery.
- Recruiting, training and establishing new agents can take time, which can affect the pace at which a programme can be rolled out.

C.4.4 Conclusions on the feasibility of pension payment delivery

There are a large numbers of providers and technologies that could be used to deliver social pension payments in Tanzania. Potential solutions range from local government-based systems and community-based approaches (including SACCOs and VICOBAs) to dedicated payment service providers, mobile network operators, commercial banks and the Post Office. Delivery technologies available include POS devices, smart cards, magnetic stripe cards, barcodes, mobile phone banking, ATMs and mini ATMs.

Low utility mechanisms such as the use of local government or community-based mechanisms have the advantage of being quick and cheap to set up. However, fiduciary risks associated with such mechanisms tend to be high and there is less scope for using the pension payment delivery mechanism to achieve wider developmental impacts both for beneficiaries and the wider community. In contrast, higher utility mechanisms tend to involve higher start-up costs but can generate a whole range of beneficial economic impacts in poor communities – in particular by expanding access to financial services. Therefore, when selecting a payment service provider, it is important to understand the tradeoffs between price and service level. A cheaper delivery system may simply transfer the cost of access to recipients, with a large portion of pension payments being spent on travel costs.

Other considerations include selecting a solution that can work everywhere (usually the most expensive option) or a series of overlapping choices for recipients. It is also worth recognising that many countries launch national pension schemes using relatively low utility payments systems and then seek to improve them over time.

PART C Technical feasibility of a social pension: summary of key findings

- Social pension eligibility criteria should be kept as simple as possible and limited to age and citizenship/residency.
- A social pension needs to fit into the wider social security system. The scheme should operate on a universal basis in the short-to-medium term. Tapered pension testing could be introduced at a later date if necessary.
- Social pension benefits in Tanzania in the order of 20-30 per cent of GDP/capita would be appropriate and in line with regional and international standards.
- Social pension administration systems should harness existing civil registration systems supplemented by the other state and non-state mechanisms (e.g. voter cards, village registers, letters issued by VEOs/WEOs and religious certificates).
- Both on-demand and automated approaches to social pension registration are feasible in Tanzania.
- Registration for a social pension in Tanzania would be likely to be based on annual registration windows at first with an open registration system being developed over time.
- Measures to ensure improved death registration will be important to minimise fraud.
- Delivery of social pension benefits across Tanzania will likely require a combination of low and high utility delivery mechanisms in the short-term. A range of high utility solutions exist which could have broader development impacts on poor, rural communities.

Table C.5 Summary of payments delivery options for a national social pension

	Advantages	Disadvantages
Low Utility Options		
Payment delivery through local government officers.	• Likely to be relatively cheap to set-up and manage • National roll-out of the pension scheme likely to be possible relatively quickly. Avoids reliance on development of private sector systems and capacity in under-served areas • Assuming use of ward-level officers, payments would be relatively accessible to older people and their families	• Amalgamation of registration and payments systems exposes the scheme to fiduciary risk • Additional workload for already stretched local government authorities • Potential for local government administrative bottlenecks to undermine regularity of pension payments • Potential for politicisation of the scheme
Post Giro (through Post Offices)	• Likely to be a cheap and relatively reliable system at central level	• Post Office network not adequately accessible. Systems would need to be developed to link to an agency network
Community committees	• Could be used to ensure access to pension payments in areas under-served by local authorities and/or private sector infrastructure • Could harness social capital and maximise community ownership of the scheme.	• Likely to expose the scheme to high fiduciary risk • Potential source of social tension and local level politicisation. Potential source of complications related to grievances and dispute resolution • Likely to be unreliable
SACCOs / VICOBA	• Could be used to ensure access to pension payments in areas under-served by local authorities and/or private sector infrastructure • Could harness social capital and maximise community ownership of the scheme. • Opportunity for strengthening and diversifying local level financial services – and maximising access amongst poor households. • Pension would bring benefits to the wider community which will increase public support for the scheme.	• Institutional weaknesses within SACCOS and VICOBAs could expose pension scheme to fiduciary risk • High level of capacity building support required by SACCOs and VICOBAs to ensure reliability. Likely to require contracting of intermediary agency – e.g. a bank

High Utility Options		
Postal Bank agency model	• Full ward-level coverage likely to be achieved within three years through a network of agents. This process would likely be hastened with the implementation of a pension through this mechanism • Strong potential for expanding access to financial services to beneficiaries and the wider community. • Potential linkages with ZAIN's Zap mobile money service • Fiduciary risk relatively limited.	• Ward-level agent network not yet fully established • Some potential for exploitation of pension recipients by local level agents. • Delivery in low-liquidity environments may be challenging in the short-term and require a substitute mechanism
Mobile money network agents (e.g. ZAIN Zap or Vodacom Mpesa	• Pension scheme could promote the development of the mobile money sector in Tanzania and thereby promote economic development • Significant ward-level coverage of network agents starting to be achieved • Strong potential for expanding access to financial services to beneficiaries and the wider community. • Private sector systems and capacity harnessed to minimise fiduciary risk • Pension would bring benefits to the wider community which will increase public support for the scheme.	• Mobile money sector relatively underdeveloped in Tanzania with limited competition on pricing or product offerings • Full ward-level coverage will only be achieved in the medium term
Commercial bank agent network (e.g. NMB)	• Pension scheme could promote the development of the commercial banking sector in Tanzania and thereby promote economic development • Strong potential for expanding access to financial services to beneficiaries and the wider community • Private sector systems and capacity harnessed to minimise fiduciary risk • Pension would bring benefits to the wider community which will increase public support for the scheme	• Local-level private sector infrastructure likely to remain very limited unless a commercial bank establishes a comprehensive partnership with another service provider (e.g. mobile money network) • Limited competition on pricing and services likely in the medium term

PART D: FINANCING TANZANIA'S UNIVERSAL SOCIAL PENSION

D.1 The cost of a universal social pension

D.1.1 Costings analysis methodology

The simulations of the fiscal cost of a universal pension use the methodology explained in Willmore (2007). Where p is the recipient population (as a proportion of the total population of the country), and s is the size of the grant (as a proportion of GDP/capita), the formula to find c (the total cost as a per cent of GDP) is:

$$c = ps$$

The figures for p (proportion of the population receiving the pension) are calculated using the age-disaggregated data from the National Bureau of Statistics's population projections (NBS, 2006). The pension level – as a proportion of GDP/capita – is calculated using estimations of current GDP from the IMF, World Economic Outlook (October 2009 edition).

For the cost in Tanzanian shillings, the level of transfer in 2010 prices is multiplied by the number of people in the eligible group (60+, 65+ or 70+).

Projections

In projecting the long-term cost of the pension, it is assumed that the transfer level should retain its real value. Therefore, the baseline figure for s in 2010 is adjusted each year in line with assumptions for real GDP per capita growth. As an example, if the benefit level is 20 per cent of GDP/capita in 2010, and we assume an annual GDP per capita growth rate of 4 per cent, the level of the pension in 2011 will 19.05 per cent of GDP/capita (0.2 ÷ 1.04).

By assuming that the pension level retains its real value, the calculations automatically simulate a situation where the pension is annually adjusted in line with inflation. Therefore, the pension would retain its purchasing power and, as a result, its impact on poverty. Nevertheless, the benefits would reduce over time in relation to GDP/capita (average income) as average income tends to increase more than prices.

Three scenarios are used for projected GDP/capita growth:

- **High growth** – 4.5 per cent per annum. This is an average of the annual GDP/capita growth rates predicted by the IMF between 2009 and 2014.
- **Medium or 'trend' growth** – 2.4 per cent per annum. This is an average of historic growth rates for the last 20 years (the beginning of 1990 to the end of 2009).[32]
- **Low growth** – 1.2 per cent per annum. This is half of the trend growth for the last 20 years. This would be a very low rate of growth by historic standards, and even lower according to the rates being predicted by the IMF for the coming years.

Costs in Tanzanian shillings are in 2010 (constant) prices and therefore represent the change in the real cost of the pension.

Administration costs

Data on the administrative costs of social pensions in Africa is relatively limited. Administration costs for social pensions in Botswana, Mauritius and South Africa are reported as 4.5 per cent, 2-3 per cent and 6 per cent respectively (Fultz and Pieris, 1999). Further information is emerging from a number of small-scale social transfer pilots but this data is of little relevance to social pension costings analysis due to the fact that these schemes are usually far smaller scale, involve complex-means testing procedures and are rarely implemented through local government systems. In contrast, a social pension in Tanzania would benefit from enormous economies of scale compared to the vast majority of the region's small social transfer pilots. It would also harness existing local government systems for registration purposes, in a manner which imposes very little administrative cost on local government authorities.

32 Note that the figures from 2001 onwards are estimates.

Therefore, based on the available data, the costings analysis presented here incorporates a nominal, estimated long-run administration cost equivalent to 5 per cent of the annual transfer value. While readers familiar with discussions about social transfer administration may feel this is a rather low estimate, it is important to emphasise that 5 per cent is a long-run estimate and that the investment costs associated with the set-up of the scheme are likely to be somewhat higher in the short term. These investment costs will depend on specific design decisions such as the degree of automation within registration procedures, the level of investment in civil registration systems and especially, the specific payments delivery model selected. The administrative cost of the social pension will therefore depend very much on the degree to which policy makers wish to invest in wider policy, institutional and development objectives through pension scheme implementation. Finally it is important to note that administration costs will depend on a pension scheme's implementation schedule – many countries reduce administration costs by rolling-out social pensions over time with 100 per cent coverage only being achieved after a number of years.

D.1.2 Results

Tables D.1 – D.4 show the results of calculations of the fiscal cost of a universal pension. The costs range significantly depending on the scenarios for age eligibility and transfer level. For example, scenarios for over 60s range from 0.56 to 1.28 per cent of GDP; the cost of scenarios for over 70s all around or below half a percent of GDP. Similar variations can be observed in the costs when expressed in TZS, US$ and as a proportion of current government expenditure. For the purpose of the costings the transfer levels have been uprated to 2010 prices. The corresponding values of TZS 6,000, TZS 8,000, TZS 10,000 and TZS 13,600 in 2010 terms are TZS 7,316, TZS 9,755, TZS 12,194 and TZS 16,586.

Table D.1 The cost of a pension with a monthly benefit of TZS 7,316 (2010 prices)

Age group	% GDP	TZS (billions)	US$ (millions)[33]	% government expenditure[34]
60+	0.56	184.78	136.32	2.07
65+	0.38	125.50	92.59	1.40
70+	0.26	84.00	61.97	0.94

Table D.2 The cost of a pension with a monthly benefit of TZS 9,755 (2010 prices)

Age group	% GDP	TZS (billions)	US$ (millions)	% government expenditure
60+	0.75	246.38	181.76	2.76
65+	0.51	167.34	123.45	1.87
70+	0.34	112.00	82.63	1.25

Tables D.3 The cost of a pension with a monthly benefit of TZS 12,194 (2010 prices)

Age group	% GDP	TZS (billions)	US$ (millions)	% government expenditure
60+	0.94	307.98	227.21	3.45
65+	0.64	209.18	154.32	2.34
70+	0.43	140.01	103.29	1.57

Table D.4 The cost of a pension with a monthly benefit of TZS 16,586 (2010 prices)

Age group	% GDP	TZS (billions)	US$ (millions)	% government expenditure
60+	1.28	418.91	315.56	4.69
65+	0.87	284.52	214.33	3.18
70+	0.58	190.44	143.45	2.13

33 I US$ = TZS 1,327.50 (xe.com, 09/11/2009)
34 The IMF project that government expenditure will be equal to 27.2 per cent of GDP in the financial year 2009/10. IMF Country Report No. 09/179, June 2009

Figures D.1 and D.2 show the results of projections of the cost of a universal pension over the next 15 years. Only one scenario is chosen (a benefit of TZS 12.194 for over 60s) as the future trends of costs tend to be fairly similar for all scenarios. Appendices II - IV provide cost as a proportion of GDP for the full range of age of eligibility / transfer level scenarios. Appendix V provides the absolute cost of the pension at each of the three age thresholds discussed in TZS to 2025.

Figure D.1 shows the real cost of the pension in Tanzanian shillings (2010 prices), demonstrating that the absolute costs will rise by about 50 per cent as the number of older people increases. Figure D.2, however, puts these costs in the context of the wider economy and show how the cost will change as a proportion of GDP. In all three scenarios (high, medium and low growth), the cost of the pension is projected to fall over the next 15 years. Under the low growth scenario, the cost would fall by around 20 per cent, while in the high growth scenario, the cost of the benefit would halve. These projections indicate that the future costs of the pension would be sustainable over time. Indeed, the projected falls in cost would provide an opportunity to increase the real value of the pension or reallocate finances to other sectors.

Figure D.1 Projected cost of a universal pension in Tanzanian shillings, billions, 2010 constant prices (60+ with a benefit level of 12,194 T Shillings in 2010)

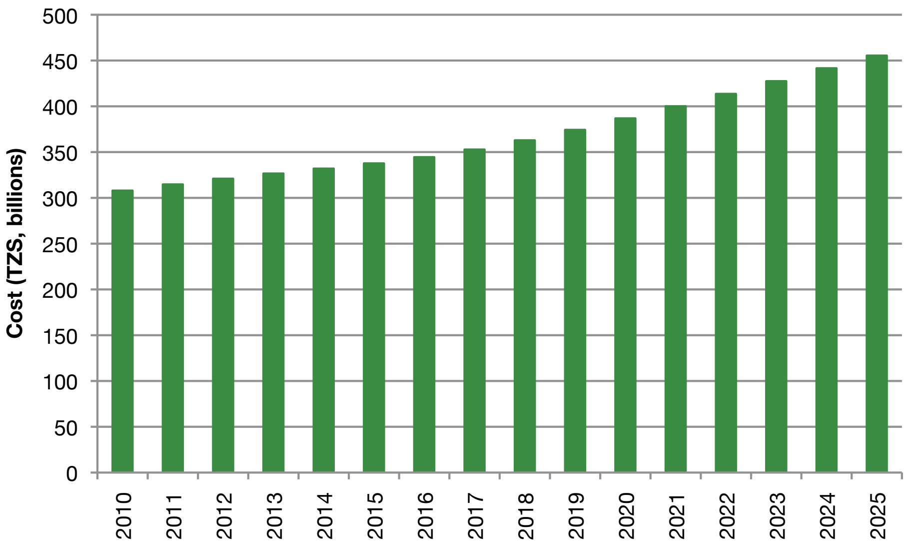
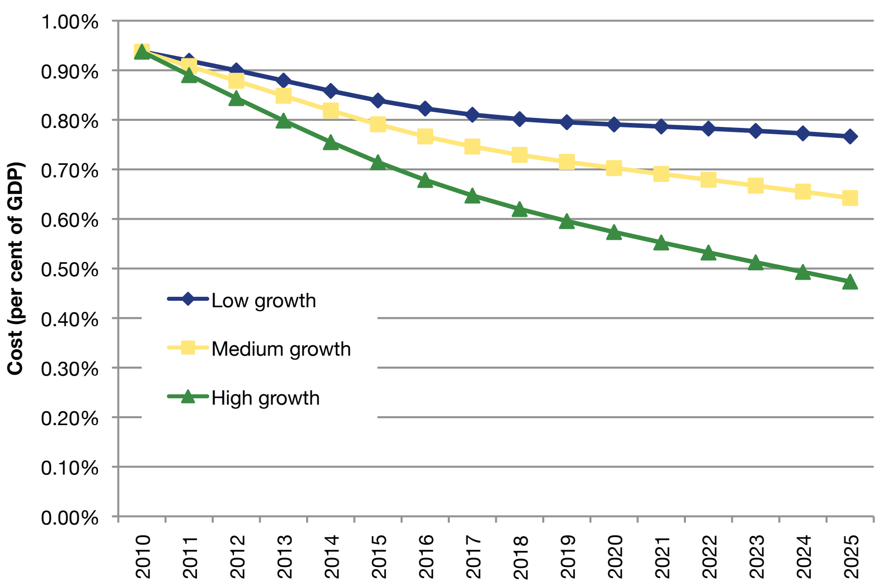


Figure D.2 Projected cost of a universal pension as a per cent of GDP (60+ with a benefit level of 12,194 T Shillings in 2010 prices)



D.1.3 Innovative ways of reducing the cost of universal old age income security

This feasibility study has concluded that universal old-age income security is key to reducing old-age poverty in Tanzania and could also contribute to range of national economic and social development objectives. However, a national social pension represents a sizeable investment. In the event that the GOURT wishes to reduce the fiscal cost of the social pension scheme, this would be best achieved by implementing an ex post means test which would recover benefits from the social pension from wealthier older people through the tax system. New Zealand, for example, uses an ex post means to lower the fiscal cost of their universal pension from 4.3 per cent of GDP to 3.6 per cent. Provided the tax regime is progressive, taxing pension benefits introduces further progressivity into the scheme as well as lowering fiscal costs (Willmore, 2007). Ex post means tests overcome many of the barriers associated with traditional ex ante means testing and may offer a solution of minimising fiscal burden and increasing progressivity in the scheme in the longer term. However, given the extremely small number of wealthy older people in Tanzania, and the primary importance of reaching the poor and vulnerable, a universal approach is the most appropriate starting point for Tanzania.

It is also worth noting at this juncture that national governments are increasingly seeking to reduce the cost of implementing social protection scheme by involving international NGOs in their delivery. For example, In Kenya, a range of international NGOs is involved in delivering both the urban cash transfer scheme (largely state-financed) and the HSNP. Similarly, in Mozambique, INGOs are supporting the expansion of the Government's targeted food subsidy cash transfer scheme (essentially a quasi means tested social pension) to areas where the state lacks the administrative capacity to implement directly. This approach could be useful to support the initial round of registration although could not be relied upon over the longer-term.

D.2 Can Tanzania afford a universal social pension?

Since the potential for increased expenditure on social development is affected by wider macro-economic issues, this section presents a brief overview of Tanzania's current economic condition and future economic prospects followed by a discussion of the various financing options available to policy makers.

D.2.1 The state of the Tanzanian economy

In recent years the Tanzanian economy has performed relatively well as measured by standard macro-economic indicators. Economic growth continued to record an impressive performance as real GDP growth averaged around 7 per cent a year during 2000–08 (IMF, World Economic Outlook Database, April 2010). The IMF expects that real GDP growth will fall to 4-5 per cent in 2009, and then increase gradually to around 7.5 per cent in 2012/13 (IMF, April 2010). Inflation stood at 6 per cent over the same period (2000-08) before increasing in 2008 to 13.5 per cent (at end of year), though it is expected that inflation will ease to an average of 5 per cent from 2010 to 2014 (IMF, 2010). Containing inflation remains critical to achieving sustained growth. Grant-funding from development partners also rose significantly from 6 per cent to 12 per cent of GDP from 2001 to 2007. External debt has fallen as a proportion of GDP while domestic debt has increased over the same period. Tanzania is running a rising current account deficit – largely financed by overseas aid – although reserve levels have remained satisfactory.

Tax revenues have continued to grow at a reasonable pace and are projected to reach 18-18.5 per cent of GDP in 2013. Nonetheless, the Tanzanian Mainland continues to experience national budget deficits. In 2009/10, total central government revenue is estimated at 16.3 per cent compared with 12.5 per cent in 2003/04 – an increase which can mainly be attributed to enhanced recurrent revenue.

Total national debt (domestic and external) has reduced significantly in recent years – mainly as a result of the Multi-Lateral Debt Relief Initiative (MDRI). External debt currently stands at around 7 per cent of national debt. Looking ahead, the IMF states that Tanzania's risk of external debt distress continues to be low (IMF, June 2009).

D.2.2 The fiscal sustainability of a universal social pension

The literature on the affordability of social protection mechanisms tends to rely on the concept of fiscal space. This has been defined as the potential that exists within a government's budget for providing financial resources for implementing a particular policy without jeopardising the sustainability of its financial position or the stability of the economy (Heller, 2005). An assessment of the affordability of a particular expenditure item – such as implementing a social pension – therefore involves establishing whether such space exists at present or could be created, and whether this fiscal space could be sustained over the longer term. The fiscal sustainability of a government's financial position therefore refers to whether a given fiscal policy can be continued into the future without threatening government solvency (Chalk and Hemming, 2000).

Although a thorough examination of Tanzania's fiscal space is beyond the scope of this report, the costings analysis presented above, combined with consultations carried out as part of this feasibility study and reference to international benchmarks and evidence, allows a preliminary assessment of affordability to be made. It is important to note that, as illustrated in figure D.2, a universal pension established in 2010 at a cost of around 1 per cent of GDP is highly likely to reduce as a proportion of GDP over the longer-term due to the fact that the size of the older population is expected to grow at a far slower rate than economic growth and government revenue projections. Indeed Tanzania is several decades away from the demographic shift experienced in many industrialised economies and, in the context of strong long-term economic growth forecasts, it therefore seems sensible to conclude that introduction of a basic social pension scheme would not have a negative impact on fiscal sustainability. On the contrary, as discussed in Part B, a universal pension would likely promote economic growth and development.

D.2.3 Financing mechanisms

In light of the above discussion, the following section focuses on the short-to-medium term potential for creating fiscal space for a pension costing in the order of 1 per cent of GDP through one or more of the following strategies: reallocation of existing government spending (otherwise known as expenditure switching); increased tax revenue; international grant funding; increased government borrowing; or debt reduction. Although technically an option, seignorage (printing money) is not seen as a credible solution and is therefore not discussed. The following section presents some preliminary findings on each of these options and the associated advantages and disadvantages of each.

Expenditure switching

In many countries considering higher investment in social development, expenditure switching is often the preferred option as it increases the efficiency of government expenditure and avoids some of the disadvantages associated with other forms of financing. While a far more detailed study would be required to identify potential opportunities for expenditure switching, it is clear that an optimum balance within Tanzania's budget structure has yet to be achieved: in 2007/08 non-contributory social assistance (TASAF and programmes for people with disabilities and most vulnerable children) constituted only around 1.8 per cent of total government expenditure and, assuming continuation of current trends, this is set to decrease to 1.3 per cent by 2021 (ILO, 2008). As such, clear scope exists for increasing expenditure on social protection without affecting broader macroeconomic performance. Indeed a pension reaching 2 million older people at a cost of 3.45 per cent of government expenditure compares very favourably with the 0.7 per cent of government expenditure currently allocated to only 55,000 retired civil servants (ILO, 2008).

However, it is important to recognise that the creation of fiscal space through expenditure switching involves complex national budgeting processes characterised by intense competition for resources and political constraints. This has implications for how easily and quickly fiscal resources can be appropriated for any new major public expenditure item (Schick, 2008 citied in UNICEF, 2009). Under normal circumstances therefore, most budgeting is inherently incremental and only a very small percentage of the budget can be reallocated to new policy initiatives (such as a new social protection scheme) from year to year. Schiavo-Campo and Tommasi (1999) suggest that, on average, a government's annual margin of maneuver is typically no more than 5 per cent of the total budgeted expenditure. Yet, even by this measure, a social pension scheme costing around 1 per cent of GDP – or around 3.5 per cent of total government expenditure – could be financed relatively quickly through expenditure switching alone. Nonetheless, in the short term, it is likely that alternative sources of funding will be required through increased tax revenues, grant funding, or loans.

Increased tax revenue

Substantial progress is being made in elevating depressed tax revenues in Tanzania. In 1996, tax revenues stood at only 10.1 per cent of GDP. However, as a result of major tax reforms in the 1990s in the areas of PAYE and corporation tax, revenues have risen significantly and the TRA estimates tax revenues in the order of 18-18.5 per cent of GDP by 2013. While this represents a significant achievement, tax revenues in Tanzania continue to fall significantly below the average for low-income countries as a whole – 25 per cent of GDP (World Bank, 2008). In this respect, consensus appears to be emerging that Tanzania's system of tax exemptions (such as those for the mining sector) – equivalent to 3.5-4 per cent of GDP – is out of step with other tax regimes in the region and should be urgently revisited. In addition, analysis conducted by the TRA suggests that 24 per cent of potential tax revenue – equivalent to 4.6 per cent of GDP – continues to be lost through a combination of VAT, PAYE and import duty non-compliance. Indeed, in 2007 it was estimated that 89 per cent of real estate and 98 per cent of businesses remained in the informal sector (Office of the President, 2007). Key informants frequently identified improving compliance with property rates law as key to improving reducing the dependence of local authorities on central government (currently only 20 per cent of local government budgets are generated locally) and creating sustainable fiscal space for investment in social development. In this respect formalisation of commercial property was seen by some as a particular priority.[35]

The advantage of using taxation as a means of financing a universal pension is that current taxpayers may be more willing to finance the scheme if the additional taxes are required specifically for the universal pension (Willmore, 2007). If everyone is to benefit from a universal pension it is important that the tax base is wide. Personal income tax is a limited option as only a small minority of the population pays income tax. The Tanzanian economy is continuing to informalise with only 500,000 people currently paying personal income tax and only 1.2 million people paying employment income tax. One possible source of taxation to finance a universal pension is increasing excise taxes, collected through goods such as beer, cigarettes and petroleum whose consumption creates negative externalities to the society. In 2007/08 revenue from excise duty was 2.9 per cent of GDP (IMF, 2009). Additional tax revenue could also be generated from VAT. However, in Tanzania this is harmonised with the East African Community (EAC) therefore the scope for this is limited. The benefit of using a tax on consumption is that it tends to track GDP (Willmore, 2007).

In addition to the issues related to general revenues and payroll taxes, Tanzania has some experience in expanding government revenue and/or facilitating expenditure switching through establishing ear-marked funds such as the Rural Energy Fund and the Road Fund (TanRoad). The latter is particularly interesting in that the fund was established with an injection from development partners and is now 70 per cent funded by central government and 30per cent by local government authorities. Examples also exist in the social sector: the Tanzania Social Action Fund (TASAF) is funded by a consortium including the GOURT, World Bank, USAID, the Japanese Social Development Fund (JSDF) and an agency linked to the Organisation of Petroleum Exporting Countries (OPEC); and Universal Primary Education (UPE) is funded by the World Bank and the EU through general budget support. Finally, 5 per cent of local government revenue is specifically ear-marked for the Women and Youth funds.

These examples not only suggest the potential for financing a social pension through a dedicated fund but also the potential for a tri-partite relationship between central government, local authorities and development partners. The predictability of pension scheme expenditure means that a universal social pension is particularly well-suited to this kind of funding mechanism. Indeed Thailand's old age grant scheme is financed through a combination of local and central government funding. Although Tanzanian local government revenue streams may be inadequate in the short term, it is interesting to note that a number of local government authorities in Tanzania are already beginning to make small budgetary allocations for social assistance for older people.[36]

Medium-term international grant funding

Recent years have witnessed growing commitment by bilateral and multilateral donors to provision of increased grant funding to low income countries such as Tanzania. When one considers the Monterrey Accords, the Millennium Development Goals, the Gleneagles Summit of the Group of Eight and the African Action Plan, the environment for achieving long-term investments in social development – such as the establishment of a universal social pension – appears more conducive than at any point in recent history. This has remained true despite the recent global economic downturn with some development partners ring-fencing development assistance within their national budgets. On the other hand, the economic downturn has refocused the international community on questions of aid effectiveness and efficiency. In this context, there is growing recognition amongst both development partners – and indeed amongst tax-payers in donor countries – that investment in the development of long-term social protection mechanisms such as pension schemes is likely to be a far more effective form of support than the traditional project-based approach. In this context, a number of countries are taking advantage of grant funding to meet the medium-term costs of introducing national social protection schemes such as universal pensions. For example:

- The Zambian government has just received substantial support from development partners as it prepares to expand the Katete pilot social pension to national scale.
- The Kenyan government has recently entered into an agreement with a consortium of development partners including the World Bank, the UK Department for International Development (DFID) and UNICEF to provide medium-term financing for the Orphans and Vulnerable Children's Cash Transfer

35 In response to this situation, the Government of Tanzania launched the Mpango wa Kurasimisha Rasilimali na Biashara za Wanyonge – Tanzania (MKURABITA) initiative in November 2004 with the objective of formalising the extra legal (informal) real estate and business sectors to create a unified national regime of property and business rights. MKURABITA follows the four phase model promoted by Dr. Hernando de Soto, of the Institute for Liberty and Democracy (ILD) and a diagnosis of the extra legal (informal) sector and reform design completed in July 2008 – one year behind schedule. The implementation phases of MKURABITA are now being led by local government authorities with the support of the MKURABITA Management Unit. Sectoral Ministries are responsible for effecting the legal and institutional changes required to establish a unified national architecture of property and business (see Office of the President, November 2007).

36 Consultations with local government authorities in Muleba, Kibaha and Morogoro (01-04/01/2010)

(OVC-CT) which mainly targets households consisting of older people caring for orphans. DFID's commitment to the OVC-CT is part of a 10-year, $250m financial commitment to social protection which includes financing for the Hunger Safety Net Programme (HSNP), and its universal pension pilot scheme.

- The Government of Uganda has recently entered into a five-year, $50m agreement with DFID and Irish Aid to fund a large-scale social pension pilot as part of the wider Social Assistance Grants for Empowerment programme (SAGE). As part of this agreement, DFID and Irish Aid are essentially financing programme set-up costs with the government set to take increasing financial responsibility as the programme is scaled up nationally.
- Ethiopia's Productive Safety Net Programme (PSNP) is also implemented with the financial support of a range of multilateral and bilateral development partners.
- Outside of Africa, international development partners played a major role in the establishment of Kosovo's universal social pension between 2001 and 2003 (see Box 7 for details).

In Tanzania, grant funding has remained stable at around one-third of overall government revenues between 2003 and 2008 (ILO, 2008) and there is considerable interest amongst some development partners in supporting the expansion of social protection coverage. For example, as discussed above, the World Bank and JSDF are supporting the implementation of the small-scale TASAF CB-CCT initiative and DFID Tanzania are currently considering options for implementing UK government policy to support the development of social protection schemes. Should the Tanzanian government chose to implement a universal pension, the likelihood of receiving adequate grant-funding from development partners to establish a regressive medium-to-long term financing mechanism appears relatively high. This type of funding mechanism could be used to cover unmet programme costs as expenditure switching decisions are made and revenue enhancement is achieved. Consultations with leading Tanzanian economists have confirmed that Tanzania still has the capacity to absorb the necessary foreign exchange without affecting macro-economic stability.

Increased government borrowing

The level of public debt fell significantly in 2006/07 as a result of a Multilateral Debt Relief Initiative (MDRI) and currently stands at 20.9 per cent of GDP, compared to 53.5 per cent of GDP at end-June 2006, (IMF, 2009). External debt accounts for 75 per cent of total debt. Current government policy reflects conventional economic orthodoxy which has tended to reserve debt financing for investments which will improve a country's ability to repay its debt. As such, current government policy is that loans should be restricted to financing infrastructural investment. However, as the World Bank (2008) has argued, viewing social spending as unproductive and merely redistributive is probably "unduly harsh" (ibid, p.55) and the recent consensus on the use of debt financing is increasingly coming into question in international policy debates. Nonetheless, it is clear that debt financing is likely to be an unpopular, and indeed unnecessary, option.

Box 8. The role of development partners in the establishment of a universal social pension in Kosovo

During 2001-2003, a fundamentally new pension system was designed and implemented in Kosovo. The system has three components, or 'pillars'. Pillar I is comprised of an old-age "basic pension" (paid to all Kosovars, 65 years of age and older) and a disability pension, both of which are funded from general revenues rather than an earmarked wage tax. The reform began in 2001, two years after the end of the Kosovo conflict, and with Kosovo under the administration of the United Nations Interim Administrative Mission in Kosovo (UNMIK). Impetus for pension reform came from the bottom up. Former pension recipients were actively demanding the re-establishment of some kind of pension system, with the sympathy of the broader Kosovar society. Based on this popular sentiment, Kosovar leaders urged that the pension issue be put at the top of the policy agenda, though they did not initially favour any one reform path over others. Donors responded with combined resources to address this need for the immediate design and implementation of a new pension system. The pension policy design was led by consultants funded by USAID, with involvement from representatives of UNMIK, the EU, the IMF, the World Bank, DFID and the ILO. It is important to understand that the motivation for a comprehensive pension reform to provide adequate pension income for Kosovo elderly came primarily from Kosovar society. The donors then stepped in, and provided significant leadership in encouraging selection of a pension reform model that has turned out to be effective and successful.

Adapted from: *The Kosovo Pension Reform: Achievements and Lessons* (World Bank 2007, pp 2-7)

D.3 Conclusions on the affordability of a universal pension for older Tanzanians

In this chapter we have demonstrated that a universal social pension could be established in Tanzania for the equivalent of 1 per cent of GDP. Moreover, this cost is highly likely to decrease over time and would not impact on fiscal sustainability. Realistic options for creating fiscal space for the pension include expenditure switching, increasing tax revenue and long-term international grant-funding. Expenditure switching in the budget is clearly possible although may take some time to implement. Given the on-going tax reforms in Tanzania and the projected steady increase in government revenue as a proportion of GDP, generating adequate funding from government revenue is a clear realistic possibility. Finally, grant funding from the international community remains a strong option for financing start-up costs and generating fiscal space as expenditure switching and enhanced revenue generation come into effect.

Furthermore, the economic outlook for Tanzania remains optimistic, with strong performances projected for economic growth alongside low inflation The IMF recently commented that Tanzania's track record of sound macroeconomic policies has created the fiscal space to allow not only a more expansionary near-term response to the economic slowdown, but also a greater role for government spending in raising productivity over the medium and longer term (IMF, June 2009). Overall, the evidence indicates that a universal pension is affordable and that there are many options to create fiscal space to finance the costs.

PART D Affordability of a universal social pension: summary of key findings

- The cost of a universal pension in Tanzania is determined more by the age of eligibility than the level of benefit.
- Assuming implementation in 2010, the cost of a universal pension as a proportion of GDP ranges from 0.26 per cent (TZS 7,316 to people aged 70 years and above) to 1.28 per cent (TZS 16,586 to people age 60 years and above).
- Assuming implementation in 2010, the cost of a universal pension as a proportion of government expenditure ranges from 0.94 per cent (TZS 7,316 to people aged 70 years and above) to 4.69 per cent (TZS 16,586 to people age 60 years and above) in year one.
- However, assuming only a very modest level of economic growth (2.4 per cent per annum), the cost of a universal pension as a proportion of GDP would fall by around one-third by 2025. Given expectations of continued strong economic growth in Tanzania, the cost of a social pension could fall by as much as 50 per cent over the same period.
- A universal pension could be financed relatively quickly through a combination of expenditure switching, enhanced revenue generation and medium-term grant funding (primarily directed to investment costs).
- A universal social pension is affordable in Tanzania, would not negatively impact on fiscal sustainability and would promote economic growth and development.

PART E: CONCLUSION

Although older people constitute only a relatively small proportion of Tanzania's population, they play a key role in Tanzania's economic and social development. They are also vital to maintaining Tanzania's social fabric at a time of rapid social, economic and cultural change. However, old age poses a number of significant challenges which are amplified in the Tanzanian context: older people are less able to earn adequate income through work, are more susceptible to chronic illness and disability and more likely to experience social exclusion, rights abuse and discrimination. In the past, security in old age was provided through a range of social protection mechanisms based on the extended family and community structures. However, in Tanzania's situation of generalised insecurity, widespread poverty and rapid social and economic change, these traditional mechanisms are increasingly unable to cope. As a result, older people are frequently forced to continue working well into old age: indeed 73 per cent of older people remain economically active with most engaged in small-scale agriculture (ILO 2008). As older people are less and less able to generate adequate income through their labour, old age poverty and destitution is becoming an increasingly common phenomenon. Moreover, old age poverty tends to have devastating impacts on older people's families – particularly children. Poverty rates amongst households containing an older person are 22.4 per cent higher than the national poverty rate and a large proportion of households in the poorest income deciles include older people.

In response to this situation, the Government of the United Republic of Tanzania has taken significant steps to provide formal social protection to older people. A strong social protection policy framework is emerging in the form of the National Strategy for Growth and Reduction of Poverty and the 2003 Social Security Policy and a range of provisions has been implemented, such as free access to healthcare services for poor older people. However, an enormous gap exists in the area of old age income security. Formal social security mechanisms have not reached the poor and are highly unlikely to offer a solution to old age poverty: only 6.5 per cent of the workforce is currently covered by formal social security and informalisation within the Tanzanian economy is increasing. While state-financed and non-governmental non-contributory income security schemes for older people do exist, they are extremely small-scale and appear to exhibit a range of constraints relating to scalability. The absence of income security for poor older people also serves to undermine the effectiveness of other social protection policy measures. For example, while exemption from healthcare user fees has been granted, implementation remains patchy and access to healthcare for poor older people and their dependants continues to be limited by a range of private costs. Poor households containing older people are also often unable to take advantage of livelihood promotion services and other public services due to income constraints.

However, this feasibility study has confirmed that a universal pension would constitute a major step forward in addressing these challenges. In the first instance, a universal social pension would make an enormous contribution to achieving national targets for reducing poverty. Analysis of the 2007 National Household Budget Survey conducted as part of this feasibility study has confirmed, for example, that a TZS 13,600/month transfer (TZS 16,586 in 2010 prices) to all older people aged 60 years and above would reduce the old age poverty rate by 57.9 per cent (i.e. from 33.0 per cent to 13.9 per cent). In addition, a universal social pension would reach almost one in four households and thereby reduce the national poverty rate by 11.9 per cent (i.e. from 33.4 per cent to 29.4 per cent). This would result in over 1.5 million people being lifted out of poverty. The same pension scenario would also reduce the national basic needs poverty gap by 17.0 per cent (i.e. from 9.9 per cent to 8.2 per cent). In this respect, economic analysis has also confirmed that, from a poverty reduction perspective, it would be more efficient to have a lower age threshold and lower benefit level than a higher age threshold and higher benefit level. Finally, a universal pension would largely benefit Tanzania's rural communities and thereby reduce the extent of spatial inequality in Tanzania.

However, the figures quoted above are the result of 'static' poverty analysis and only illustrate the so-called 'day-after' impact on poverty rates. The real impact is likely to be far greater due to a range of multiplier effects at household and community level. Clear evidence has emerged from existing small-scale schemes in Tanzania, as well as national social pension schemes elsewhere in Africa, that social pensions empower older people and their families to increase their productivity, better manage risk, increase access to public services and become more active members of their communities. A social pension would not only reduce old age poverty and vulnerability but would also contribute to a wide range of national development objectives. These include:

- Improved child welfare, nutrition and access to education
- Increased agricultural growth, micro-enterprise development and enhanced livelihoods
- Stimulation of local economic growth and development
- Extending access to financial services to rural communities
- Promoting employment in the informal sector
- Strengthening community-based support mechanisms for PLWHA and increasing access to HIV AND AIDS treatment, care and support services
- Increasing access to health and education services
- Promoting decentralisation through local government capacity development
- Promoting social cohesion and reducing social exclusion of older people and their families.

As such, the introduction of a universal social pension would make a major contribution towards achieving the objectives of the National Strategy for Growth and Reduction of Poverty and the Millennium Development Goals.

Having firmly established the rationale for a universal social pension in Tanzania and elaborated the relevance to national development strategy, this feasibility study has also provided a comprehensive analysis of the technical and fiscal feasibility of implementing a national scheme. The study has concluded that scalability and sustainability demands that eligibility criteria should be kept as simple as possible and limited to age and citizenship/residency. A social pension also needs to fit into the wider social security system and should therefore operate on a universal basis in the short-to-medium term. Tapered pension-testing could be introduced at a later date if necessary. Social pension administration systems could reliably harness existing civil registration systems, supplemented by other state and non-state mechanisms (e.g. voter cards, village registers, letters issued by VEOs/WEOs and religious certificates). Both on-demand and automated approaches to social pension registration are feasible in Tanzania although registration for a social pension would likely be based on annual registration windows at first with an open registration system being developed over time. It will be particularly important to consider measures to ensure improved death registration in order to minimise risk of fraud and this study proposes a range of options.

This feasibility study confirms that social pension benefits in Tanzania in the order of 20-30 per cent of GDP/ capita would be appropriate and in line with regional and international standards. Delivery of social pension benefits across Tanzania will likely require a combination of low and high utility delivery mechanisms in the short term. A range of high utility solutions have been identified which could have broader developmental impacts – particularly in terms of expanding access to basic financial services in poor, rural communities.

The study offers a robust analysis of the cost, fiscal sustainability and financing options for a universal pension. A number of scenarios have been presented relating to age of eligibility and transfer level which demonstrate that the cost of a meaningful universal pension as a proportion of GDP ranges from 0.26 per cent (TZS 7,316 to people aged 70 years and above) to 1.28 per cent (TZS 16,586 to people aged 60 years and above). Assuming implementation in 2010, the cost of a universal pension in year one, as a proportion of government expenditure, ranges from 0.94 per cent (TZS 7,316 to people aged 70 years and above) to 4.69 per cent (TZS 16,586 to people aged 60 years and above). Although this is clearly a significant investment, it is important to note that, even assuming only very modest economic growth (2.4 per cent per annum), the cost of a universal pension as a proportion of GDP would fall by around one third by 2025. Given expectations of continued strong economic growth in Tanzania, the cost of a social pension could fall by as much as 50 per cent over the same period. In this context, a universal social pension is clearly affordable in Tanzania and would not negatively impact on fiscal sustainability. Indeed it could be financed relatively quickly through a combination of expenditure switching, enhanced revenue generation and medium-term grant funding (primarily directed to investment costs).

To conclude, achieving old age income security is key to realising Tanzania's national development potential. Implementation of a universal social pension is both technically possible and fiscally sustainable and would contribute to achieving a wide range of national development objectives. The social pension represents a cost-effective investment in broad-based social and economic development and would be a major step towards achieving the rights set out in the Tanzanian Constitution.

Appendix I: List of completed consultations

Consultation Schedule					
	Stakeholder	Position	Name	Date	
Government				Phase 1	Phase 2
1	Private Office to the President	Personal Assistant to the President (Economic Affairs)	Dr Hamis Mwinyinvua		02/02/2010
2	Ministry of Labour, Emploment and Youth Development	Asst. Commissioner Labour and Social Security	Mr David Kaali	30/11/2009	
3	Department of Poverty Eradication and Economic Empowerment, Ministry of Finance and Economic	Director- Poverty Eradication and Economic Empowernment	Ms Anna Mwasha		02/02/2010
4	Ministry of Health and Social Welfare	Chief Medical Officer Ministry of Health and Social Welfare	Dr D M Mtasiwa		01/02/2010
		Director of Policy and Planning	Ms R Kikuli		01/02/2010
5	Min of Education	Prinicipal Administrative Assistant to Director of Human Resource	Mrs A Richard		01/02/2010
6	Ministry of Community Development Gender and Children	Ag. Director Community Development &	Mr Jeremiah Nchimbu		05/02/2010
		Asst. Director Self Help Projects	Mr Enterbeth Nyomi		05/02/2010
		Officer Ministry of Local Government	Mr Maganga		04/02/2010
7	Min of Local Gov	District Health infrastructure Rehabilitation of Local Government	Andrew Sayile		04/02/2010
8	Ministry of Finance and Economic Affaires	Assistant Commissioner of Budget	Mr John Cheyo		26/01/2010
		Officer Ministry of Finance & Economic Affairs	Needy Peace		26/01/2010
9	Min of Agriculture (food subsidy programme)	Economist- Ministry of Agriculture	Mr L Limo		26/01/2010
		Principal Economist- Ministry of Agriculture	Mr Mibavu		26/01/2010
			Mr N Wambuya		26/01/2010
10	Dept. of Social Welfare	Ag Commissioner of Social Welfare	Mrs M Njimba	08/12/2009	
		Social Welfare Officers	Mrs M Moyo	08/12/2009	

		Social Welfare Officers	Mrs A Hamisa	08/12/2009	
		Social Welfare Officers	Mrs M Chilangwa	08/12/2009	
11	Department of Pensions, Ministry of Finance	Principal Accountant	Mr O Mbaga	08/12/2009	
		Accountants	Mrs Mugahi, Mr B Kiguhe	08/12/2009	
12	Commissioner for Tax				
13	Local Government Authorities				
	Dodoma	Acting District Executive Director	Mr Jojoti	02/12/2009	
	Kibaha	Acting District Executive Director	Mr C Nduma	01/12/2009	
		Village Fund Coordinator	Mr Harry	01/12/2009	
		Community Development Officer	Mr Nosasa	01/12/2009	
	Morogoro	Municipal Economist	Mr John Aloyce	03/12/2009	
	Muleba	District Commissioner	Mrs A L Macula	04/12/2009	
		Acting District Executive Director		04/12/2009	
		Deputy Council Chairperson	Hon J Makajanga	04/12/2009	
		District Social Welfare Officer	Mr Levicatus	04/12/2009	
		Acting district planning officer	Mr Kajuna	04/12/2009	
		Ward Executive Officer (Nshamba)	Mr Hamad	05/12/2009	
		Division Secretary (Nshamba)	Mr Lwehabura	05/12/2009	
		Village Executive Officer (Nshamba)	Mr Nyasigas	05/12/2009	

Para-statal Organisations

14	Tanzania Revenue Authority (TRA)	Director of Research and Policy Tanzania Revenue Authority	Mr T K Muganyizi		29/01/2010
		Manager of Public Finance Tanzania Revenue Authority	Mr A H M Ndunuru		29/01/2010
15	TASAF	Training Research and Participation Tanzania Social Action Fund	Mr A Kamagenge	30/11/2009	
		Internal Auditing and coordinator of Microfinance Bank	Mrs E MacKenzie	30/11/2009	
		Training and operations activities Microfinance Bank	Mrs M Mariki	30/11/2009	
		Communications Officer and coordinating Pilot Programme		30/11/2009	

		CBCCT Focal Point Kibaha Council	Mr Kauki	01/12/2009	
16	National Electoral Commission (PVR data team)	Data Analysts		07/12/2009	
17	NIDA	Ag. Director General Dickson E Maimu		11/12/2009	
		Ag. Director of ICT	Mr V Tegire		29/01/2010
18	RITA	Ag. Chief Executive Officer	Mr Phillip G Saliboko	10/12/2009	
		Registration Manager	Ms Julien B Mafuru		29/01/2010
19	Postal Bank	Branch Operations	Mr Hassan		01/02/2010
		Chief Manager Adm & Corporate Service Post Bank	Diana Myonga		01/02/2010
		Project Manager Tanzania Post Bank Mobile	Jonas Mbasa		01/02/2010
		Tanzania Post Bank Mobile	Hasan Mohamed		01/02/2010
20	Postal Giro	Marketing Department	Mr Justus Mazoko		03/02/2010
		Principal Postal Coordinator	Mr Edward Mwakapalila		03/02/2010
21	National Bureau of Statistics	Manager Labour & Population	P. Luyobya		02/02/2010
			Amon Manyama		

National Non Governmental Organisations and research institutions

22	Kwa Wazee	Ms Lydia		06/12/2009	
23	REPOA	Director of Strategic Research	Mr D Mmari	7/12/2009	
		Executive Director-Research in Poverty Alleviation	Professor Joseph Semboja		27/01/2010
24	Tanzania Gender Networking Programme	Executive Director- Tanzania Gender Network Program	Usu Mallya		04/02/2010
25	Chama Cha Walimu	President of Teachers Union	Mr Gratian Mkoba		02/02/2010
26	Institute of Financial Management	Researcher	Ms Zubeda		04/02/2010
27	University of Dar es Salaam	Academic and Policy Adviser	Mrs F Kessy	11/12/2009	
28	Youth Coalition	Policy Analyst	F Ndegemeka		04/02/2010
		Policy Analyst	Anisa Mtemvu		04/02/2010
		Volunteer	L Prince		04/02/2010
		Capacity building	M Kamtande		04/02/2010

29	SAWATA	Coordinator -Saidia Wazee Karagwe	Mr Livingstone Byekwaso	04/12/2009	
Older People					
30	Mpiji Village Elderly Centre (TASAF CBCCT)			01/12/2009	
31	Nkwenda Village, Chamwino District (CBCCT)			02/12/2009	
32	Nshamba Older People (Kwa Wazee)			05/12/2009	
33	Kiomoto Older People (Kwa Wazee)			05/12/2009	
Private Sector Companies					
34	ZAIN - ZAP		Mr. A Titus	07/12/2009	
		Zap Corporate and SME Sales Coordinator	Miss L Mkunde	07/12/2009	
35	Vodacom - Mpesa	Agent Administrator	Mr M Wandwi	10/12/2009	
36	NMB	Manager, International Operations	Mr A Mrosso		25/01/2010
International Organisations and Development Partners					
37	DFID		Ms Getrude Mapunda		02/03/2010
			Ms V Roberts		02/03/2010
38	World Bank	Social Protection Specialist	Mrs I Mongoro		03/02/2010
39	GTZ	Component Leader health Financing-	Mr M.Kuper	10/12/2009	
		Coordinator Social Health Insurance-	Mrs V Munishi	10/12/2009	
40	ILO	Officer	Mr Asgnar Mushi	08/12/2009	
41	UNICEF	Chief of Social Policy-	Mr A Grinspun		03/02/2010
42	Save the Children	Interim Country Director- Save the Children Funds	Mrs J Lister		04/02/2010
		Programme Manager (Lindi)	Mr A Mwendamaka		04/02/2010
43	UNDP		Amon Manyama	03/02/2010	
Round table consultations					
44	Social Security Fund Roundtable	PSPF	Mrs Neema		28/01/2010
45		NHIF	Mr Daudi, Mr Airan		28/01/2010

46		GPF	Mr James	28/01/2010
47		LAPF	Mr A Ndwata	28/01/2010
48		NSSF	M. Rehema	28/01/2010
49		Ministry of Labour	Mr Kaali	28/01/2010
		National Health Insurance Funds	Irene Katalaiya	28/01/2010
50		National Health Insurance Funds	Dr Zakaria Bunyinyiga	28/01/2010
51	ESRF Roundtable	Researcher	Dr Osward Mashindano	27/01/2010
		Researcher	Dr P Tibandebage	27/01/2010
		Researcher	Ms Taus Kida	27/01/2010

Appendix II: Projections of the cost of a universal pension – Low growth scenario

A: Projections of the cost of a pension with a monthly benefit of TZS 7,316 in 2010, as a proportion of GDP

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
60+	0.56%	0.55%	0.54%	0.53%	0.51%	0.50%	0.49%	0.49%	0.48%	0.48%	0.47%	0.47%	0.47%	0.47%	0.46%	0.46%
65+	0.38%	0.37%	0.35%	0.35%	0.34%	0.34%	0.33%	0.33%	0.32%	0.31%	0.31%	0.30%	0.30%	0.30%	0.30%	0.29%
70+	0.26%	0.25%	0.24%	0.23%	0.22%	0.21%	0.20%	0.20%	0.19%	0.19%	0.19%	0.19%	0.19%	0.18%	0.18%	0.18%

B: Projections of the cost of a pension with a monthly benefit of TZS 9,755 in 2010, as a proportion of GDP

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
60+	0.75%	0.74%	0.72%	0.70%	0.69%	0.67%	0.66%	0.65%	0.64%	0.64%	0.63%	0.63%	0.63%	0.62%	0.62%	0.61%
65+	0.51%	0.49%	0.47%	0.46%	0.45%	0.45%	0.44%	0.43%	0.43%	0.42%	0.41%	0.40%	0.40%	0.40%	0.39%	0.39%
70+	0.34%	0.33%	0.32%	0.31%	0.29%	0.28%	0.27%	0.26%	0.26%	0.25%	0.25%	0.25%	0.25%	0.24%	0.24%	0.23%

C: Projections of the cost of a pension with a monthly benefit of TZS 12,194 in 2010, as a proportion of GDP

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
60+	0.94%	0.92%	0.90%	0.88%	0.86%	0.84%	0.82%	0.81%	0.80%	0.80%	0.79%	0.79%	0.78%	0.78%	0.77%	0.77%
65+	0.64%	0.61%	0.59%	0.58%	0.57%	0.56%	0.55%	0.54%	0.53%	0.52%	0.51%	0.50%	0.50%	0.49%	0.49%	0.49%
70+	0.43%	0.41%	0.40%	0.38%	0.36%	0.35%	0.34%	0.33%	0.32%	0.32%	0.32%	0.31%	0.31%	0.30%	0.30%	0.29%

D: Projections of the cost of a pension with a monthly benefit of TZS 16,586 in 2010, as a proportion of GDP

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
60+	1.28%	1.25%	1.22%	1.20%	1.17%	1.14%	1.12%	1.10%	1.09%	1.08%	1.08%	1.07%	1.06%	1.06%	1.05%	1.04%
65+	0.87%	0.83%	0.80%	0.78%	0.77%	0.76%	0.75%	0.74%	0.73%	0.71%	0.70%	0.69%	0.68%	0.67%	0.67%	0.67%
70+	0.58%	0.56%	0.54%	0.52%	0.50%	0.47%	0.46%	0.44%	0.43%	0.43%	0.43%	0.43%	0.42%	0.41%	0.41%	0.40%

Appendix III: Projections of the cost of a universal pension – Medium growth scenario

E: Projections of the cost of a pension with a monthly benefit of TZS 7,316 in 2010, as a proportion of GDP

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
60+	0.56%	0.55%	0.53%	0.51%	0.49%	0.47%	0.46%	0.45%	0.44%	0.43%	0.42%	0.41%	0.41%	0.40%	0.39%	0.39%
65+	0.38%	0.36%	0.35%	0.33%	0.32%	0.32%	0.31%	0.30%	0.29%	0.28%	0.27%	0.27%	0.26%	0.25%	0.25%	0.25%
70+	0.26%	0.25%	0.23%	0.22%	0.21%	0.20%	0.19%	0.18%	0.17%	0.17%	0.17%	0.16%	0.16%	0.16%	0.15%	0.15%

F: Projections of the cost of a pension with a monthly benefit of TZS 9,755 in 2010, as a proportion of GDP

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
60+	0.75%	0.73%	0.70%	0.68%	0.66%	0.63%	0.61%	0.60%	0.58%	0.57%	0.56%	0.55%	0.54%	0.53%	0.52%	0.51%
65+	0.51%	0.48%	0.46%	0.44%	0.43%	0.42%	0.41%	0.40%	0.39%	0.38%	0.36%	0.35%	0.35%	0.34%	0.33%	0.33%
70+	0.34%	0.33%	0.31%	0.30%	0.28%	0.26%	0.25%	0.24%	0.23%	0.23%	0.22%	0.22%	0.21%	0.21%	0.20%	0.20%

G: Projections of the cost of a pension with a monthly benefit of TZS 12,194 in 2010, as a proportion of GDP

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
60+	0.94%	0.91%	0.88%	0.85%	0.82%	0.79%	0.77%	0.75%	0.73%	0.72%	0.70%	0.69%	0.68%	0.67%	0.66%	0.64%
65+	0.64%	0.60%	0.58%	0.56%	0.54%	0.53%	0.51%	0.50%	0.49%	0.47%	0.46%	0.44%	0.43%	0.42%	0.42%	0.41%
70+	0.43%	0.41%	0.39%	0.37%	0.35%	0.33%	0.31%	0.30%	0.29%	0.28%	0.28%	0.27%	0.27%	0.26%	0.25%	0.25%

H: Projections of the cost of a pension with a monthly benefit of TZS 16,586 in 2010, as a proportion of GDP

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
60+	1.28%	1.24%	1.20%	1.15%	1.11%	1.08%	1.04%	1.01%	0.99%	0.97%	0.96%	0.94%	0.92%	0.91%	0.89%	0.87%
65+	0.87%	0.82%	0.78%	0.76%	0.73%	0.72%	0.70%	0.68%	0.66%	0.64%	0.62%	0.60%	0.59%	0.58%	0.57%	0.56%
70+	0.58%	0.56%	0.53%	0.50%	0.47%	0.45%	0.42%	0.41%	0.40%	0.39%	0.38%	0.37%	0.37%	0.36%	0.35%	0.33%

Appendix IV: Projections of the cost of a universal pension – High growth scenario

I: Projections of the cost of a pension with a monthly benefit of TZS 7,316 in 2010, as a proportion of GDP

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
60+	0.56%	0.53%	0.51%	0.48%	0.45%	0.43%	0.41%	0.39%	0.37%	0.36%	0.34%	0.33%	0.32%	0.31%	0.30%	0.28%
65+	0.38%	0.35%	0.33%	0.31%	0.30%	0.29%	0.27%	0.26%	0.25%	0.23%	0.22%	0.21%	0.20%	0.20%	0.19%	0.18%
70+	0.26%	0.24%	0.22%	0.21%	0.19%	0.18%	0.17%	0.16%	0.15%	0.14%	0.14%	0.13%	0.13%	0.12%	0.11%	0.11%

J: Projections of the cost of a pension with a monthly benefit of TZS 9,755 in 2010, as a proportion of GDP

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
60+	0.75%	0.71%	0.68%	0.64%	0.60%	0.57%	0.54%	0.52%	0.50%	0.48%	0.46%	0.44%	0.43%	0.41%	0.39%	0.38%
65+	0.51%	0.47%	0.44%	0.42%	0.40%	0.38%	0.36%	0.35%	0.33%	0.31%	0.30%	0.28%	0.27%	0.26%	0.25%	0.24%
70+	0.34%	0.32%	0.30%	0.28%	0.26%	0.24%	0.22%	0.21%	0.20%	0.19%	0.18%	0.18%	0.17%	0.16%	0.15%	0.14%

K: Projections of the cost of a pension with a monthly benefit of TZS 12,194 in 2010, as a proportion of GDP

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
60+	0.94%	0.89%	0.84%	0.80%	0.75%	0.71%	0.68%	0.65%	0.62%	0.60%	0.57%	0.55%	0.53%	0.51%	0.49%	0.47%
65+	0.64%	0.59%	0.55%	0.52%	0.50%	0.48%	0.45%	0.43%	0.41%	0.39%	0.37%	0.35%	0.34%	0.33%	0.31%	0.30%
70+	0.43%	0.40%	0.37%	0.35%	0.32%	0.30%	0.28%	0.26%	0.25%	0.24%	0.23%	0.22%	0.21%	0.20%	0.19%	0.18%

L: Projections of the cost of a pension with a monthly benefit of TZS 16,586 in 2010, as a proportion of GDP

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
60+	1.28%	1.21%	1.15%	1.09%	1.03%	0.97%	0.92%	0.88%	0.84%	0.81%	0.78%	0.75%	0.72%	0.70%	0.67%	0.64%
65+	0.87%	0.80%	0.75%	0.71%	0.68%	0.65%	0.62%	0.59%	0.56%	0.53%	0.51%	0.48%	0.46%	0.44%	0.43%	0.41%
70+	0.58%	0.54%	0.51%	0.47%	0.44%	0.40%	0.38%	0.35%	0.34%	0.32%	0.31%	0.30%	0.29%	0.27%	0.26%	0.25%

Appendix V: Projections of the cost of a universal pension in TZS

M: Projections of the cost of a pension with a monthly benefit of TZS 7,316 in 2010, TZS (billions), constant 2010 prices

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
60+	184.8	188.8	192.6	196.0	199.2	202.6	206.7	211.7	217.7	224.6	232.1	240.0	248.2	256.5	264.9	273.3
65+	125.5	125.3	126.2	128.2	131.2	134.9	138.5	141.9	144.9	147.6	150.5	154.0	158.1	163.2	168.9	174.5
70+	84.0	85.0	85.3	85.2	84.7	84.2	84.2	85.0	86.9	89.5	92.5	95.5	98.2	100.5	102.7	104.3

N: Projections of the cost of a pension with a monthly benefit of TZS 9,755 in 2010, TZS (billions), constant 2010 prices

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
60+	246.4	251.8	256.8	261.3	265.6	270.2	275.6	282.3	290.3	299.4	309.5	320.0	330.9	342.0	353.3	364.3
65+	167.3	167.1	168.2	171.0	175.0	179.8	184.7	189.2	193.2	196.8	200.7	205.3	210.8	217.5	225.2	232.7
70+	112.0	113.3	113.8	113.6	112.9	112.2	112.2	113.4	115.8	119.3	123.3	127.4	130.9	134.0	137.0	139.1

O: Projections of the cost of a pension with a monthly benefit of TZS 12,194 in 2010, TZS (billions), constant 2010 prices

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
60+	308.0	314.7	321.0	326.6	332.0	337.7	344.5	352.8	362.9	374.3	386.9	400.1	413.6	427.5	441.6	455.4
65+	209.2	208.9	210.3	213.7	218.8	224.8	230.9	236.5	241.4	246.1	250.9	256.7	263.6	271.9	281.5	290.9
70+	140.0	141.6	142.3	142.0	141.1	140.3	140.3	141.7	144.8	149.1	154.2	159.2	163.7	167.6	171.2	173.8

P: Projections of the cost of a pension with a monthly benefit of TZS 16,586 in 2010, TZS (billions), constant 2010 prices

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
60+	419.0	428.2	436.7	444.4	451.7	459.4	468.7	480.0	493.7	509.2	526.3	544.3	562.7	581.5	600.7	619.6
65+	284.6	284.2	286.1	290.7	297.6	305.8	314.1	321.7	328.5	334.7	341.3	349.2	358.5	369.9	382.9	395.7
70+	190.5	192.6	193.5	193.2	192.0	190.8	190.9	192.8	197.0	202.9	209.7	216.6	222.6	227.9	232.9	236.5

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