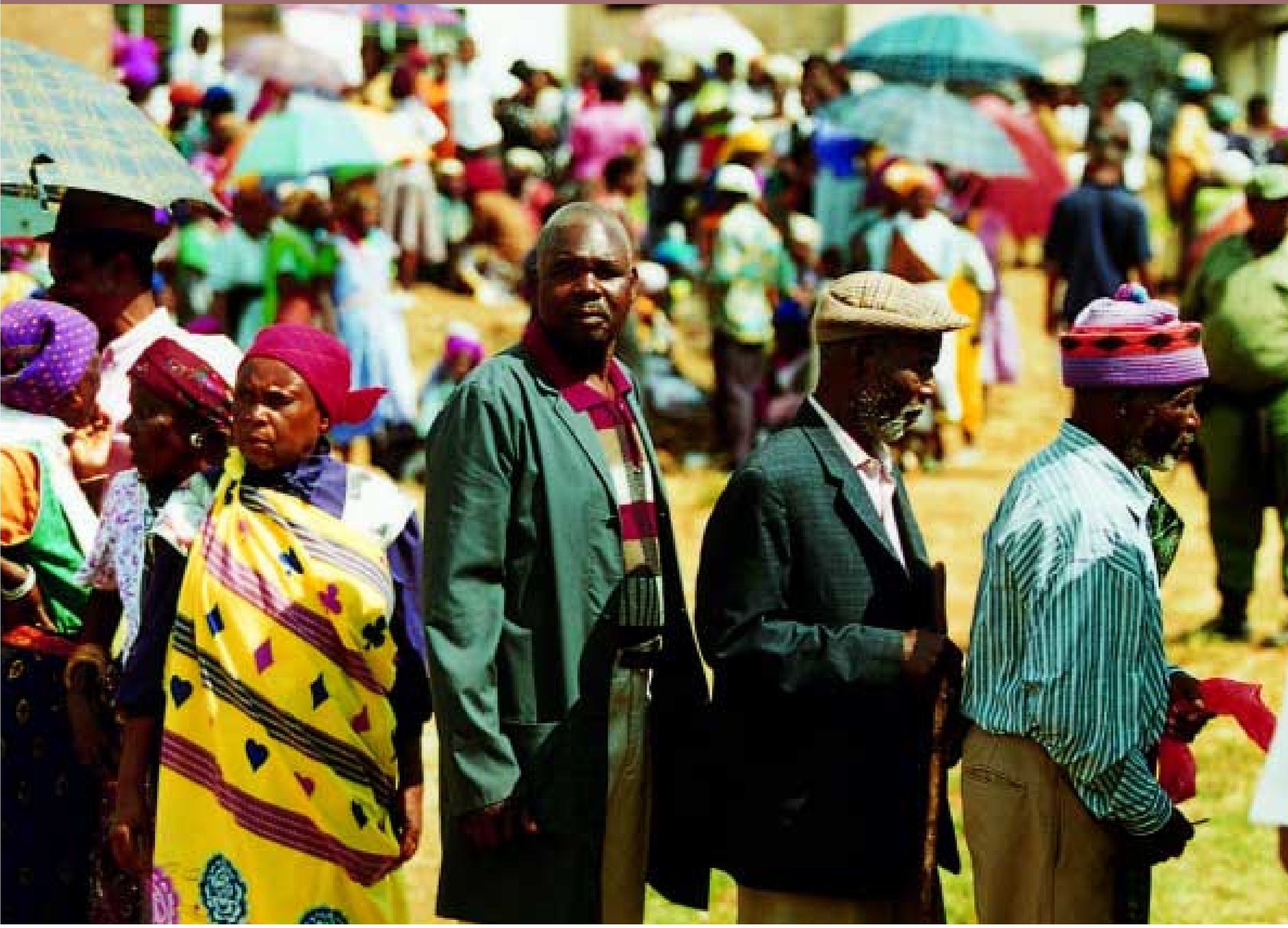
Population Ageing and Development – New Strategies for Social Protection

Report of a seminar held on 31 October 2002 at the National Press Club, Washington DC, USA

Seminar organised by HelpAge International, National Academy of Social Insurance and the Initiative for Policy Dialogue



NATIONAL ACADEMY OF·SOCIAL INSURANCE

HelpAge International

Leading global action on ageing

HelpAge International is a global network of not-for-profit organisations with a mission to work with and for disadvantaged older people worldwide to achieve a lasting improvement in the quality of their lives.

Web: www.helpage.org

The **National Academy of Social Insurance** (NASI) is a non-profit, non-partisan research and education organisation made up of leading US experts on social security, Medicare and other social insurance programmes. NASI's mission is to promote understanding and informed policy-making through research, public education, training and the open exchange of ideas.

Web: www.nasi.org

The **Initiative for Policy Dialogue** (IPD) is a global network of economists and social scientists based at Columbia University, established to help developing and transition countries explore economic policy alternatives.

Web: www.policydialogue.org

Population Ageing and Development – New Strategies for Social Protection

Report of a seminar held on 31 October 2002 at the National Press Club, Washington DC, USA. Seminar organised by HelpAge International, National Academy of Social Insurance and the Initiative for Policy Dialogue

Written by Sylvia Beales, Policy Development Manager, HelpAge International
and Mark Gorman, Development Director, HelpAge International. Edited by Nina Behrman

Published by HelpAge International, PO Box 32832, London N1 9ZN, UK
Tel: +44 20 7278 7778 Fax: +44 20 7843 1840 Email: hai@helpage.org Web: www.helpage.org

ISBN 1 872590 13 6

Front cover photograph: South African pension queue/Hein du Plessis/HelpAge International
Back cover and inside photographs: Jay Mallin/National Academy of Social Insurance

HelpAge International thanks the following organisations for their generous support of the seminar:

Help the Aged AARP DFID Department for International Development

Contents

List of speakers and seminar programme

Keynote speakers and moderators

Henry Aaron
Chair of the National Academy of Social Insurance
Senior Fellow, Economics Studies Program, The Brookings Institution

Todd Petersen
Chief Executive, HelpAge International

Stanford Ross
Member (former Chair), US Social Security Advisory Board

Timothy Smeeding
Maxwell Professor of Public Policy, Syracuse University
President, Luxembourg Income Study

Eugene Steuerle
Senior Fellow, The Urban Institute

Joseph Stiglitz
Nobel Prize winner and former Chief Economist of the World Bank
Founder, Initiative for Policy Dialogue, Columbia University

David Walker
Comptroller General of the United States

Panellists

Nicholas Barr
Professor of Public Economics, London School of Economics

William Easterly
Senior Fellow, Center for Global Development and Institute for International Economics

Robert Gillingham
Consultant, Fiscal Affairs Department, International Monetary Fund

Judith Heumann
Advisor, Disability and Development, World Bank

Dalmer Hoskins
Secretary General, International Social Security Association

William Hsiao
Professor of Economics, School of Public Health, Harvard University

George Kopits
Chief of Special Fiscal Studies Division, International Monetary Fund

Johan Scholvinck
Director of Social Policy and Development, Department of Economic and Social Affairs, United Nations

Anita Schwarz
Senior Economist, Social Protection Team, World Bank

Lawrence Thompson
Senior Fellow, The Urban Institute

Victoria Velkoff
Chief of the Aging Studies Branch, US Bureau of the Census

The seminar programme

Introduction
Todd Petersen, *HelpAge International*

Welcome address
Henry Aaron, *National Academy of Social Insurance*

Keynote address: Social protection in a globalised world
Joseph Stiglitz, *Initiative for Policy Dialogue*

Keynote address: Governance aspects of social protection programmes
David Walker, *Comptroller General of the United States*

Roundtable 1: Development priorities in an ageing world
Moderator: Eugene Steuerle, *The Urban Institute*

- How should the development debate be reframed in the context of an ageing developing world?
- How can development policies be adjusted in the new demographic order?

Panel:
Victoria Velkoff, *US Bureau of the Census*
William Hsiao, *Harvard University*
William Easterly, *Center for Global Development and Institute for International Economics*
Dalmer Hoskins, *International Social Security Association*

Roundtable 2: The link between development and social protection
Moderator: Timothy Smeeding, *Syracuse University/Luxembourg Income Study*

- How can social protection and policies aimed at poverty reduction be more effectively integrated?
- How should the reform agenda for older people in the developing world be widened beyond a narrow focus on pensions and social security reform?

Panel:
Nicholas Barr, *London School of Economics*
Robert Gillingham, *International Monetary Fund*
Anita Schwarz, *World Bank*
Lawrence Thompson, *The Urban Institute*

Roundtable 3: Strategies for the future
Moderator: Stanford Ross, *US Social Security Advisory Board*

- Poverty is on the increase in all age groups, and particularly among the oldest.
- What strategies are needed to ensure that development aid and national development programmes effectively deliver tangible benefits to other populations in developing countries?

Panel:
Johan Scholvinck, *United Nations*
George Kopits, *International Monetary Fund*
Judith Heumann, *World Bank*

Final remarks
Stanford Ross, *US Social Security Advisory Board*

1. Introduction

> 'No subject… is of greater… importance than the ageing of the population and the providing of protection for this important population. It affects the very nature of our societies and… all aspects of society.'
>
> Joseph Stiglitz
> *Initiative for Policy Dialogue*

Ageing, poverty and the international development agenda

As poverty deepens in the developing world, there is growing interest in the role that social protection measures can play in enhancing poor people's capacity to manage risks and promote their own development capacities to 'lift' themselves out of poverty. There is also increasing recognition that the 'right to development' enshrined in the 1986 UN Declaration on the Right to Development requires government and civil society to explore with greater energy the means by which all poor people can access their basic rights, including that of social protection.

The rapid ageing of poor people in the developing world poses special challenges for resource-poor developing countries. The UN predicts[1] that by 2050 the share of the world's over-60s population will have risen to 21 per cent, on a par with the numbers of predicted children. There will be 314 million people over 80, two-thirds of them women, and many of these will be widows. By 2050, three-quarters of the world's older people will be living in developing countries, with 63 per cent of the over-60s to be found in Asia.[2] By 2050, persons over 60 will account for 10 per cent of the population in Africa and 23 per cent in Asia and Latin America.[3]

In April 2002, the Second World Assembly on Ageing met in Madrid, Spain and agreed a far-reaching Plan of Action on Ageing which pledged to extend the right to development to older persons and to halve their poverty by 2015 in line with the first Millennium Development Goal. The Assembly identified poverty as the greatest threat to older people worldwide, and called on governments, public and private institutions to incorporate older people into development processes and allocate resources accordingly.

The seminar on population ageing and development: overview

The seminar was held at the National Press Club in Washington, DC on 31 October 2002 and funded by the UK Department for International Development (DFID), the American Association of Retired Persons (AARP) and Help the Aged, UK. It was organised by HelpAge International, the Initiative for Policy Dialogue (IPD) and the National Academy of Social Insurance (NASI). The goal was to explore the means by which universal social protection measures for older persons might be both a basic development tool and a core mechanism to ensure the rights of older persons to development.

The presenters were leading thinkers at the international lending organisations, the United Nations, universities and research centres, with an interest and practice experience in issues of ageing and of development. Keynote speakers were Professor Joseph Stiglitz, Director of the IPD and Economics Nobel Laureate, and David Walker, Comptroller General of the United States. Panellists on the three panels were drawn from the US Bureau of the Census, the World Bank, the International Monetary Fund, the London School of Economics, the Center for Global Development, The Urban Institute, the International Social Security Association, the Department of Economic and Social Affairs of the United Nations, and the School of Public Health of Harvard University. Topics were explored through a mix of presentation, panel discussion and dialogue.

Discussions covered a range of policy approaches to ensure the delivery of targeted aid to growing numbers of older, and poorer, populations in Africa, Asia and Latin America, in turn leading to the realisation of the Millennium Development Goals (MDGs) and related global targets, including the 2002 Madrid International Plan of Action on Ageing and its regional follow-up agreements. The seminar considered how global responses to ageing and development that targeted older populations could also contribute to the global drive for poverty reduction, enhanced social stability and improved global governance. In a context where fewer than 20 per cent of the over-60s in the developing world – already numbering among the very poorest of the poor – benefit from any type of formal social protection, the seminar considered a range of approaches to targeting older people's key needs in the areas of basic income security, nutrition, education and health.

The organisers share the view that development institutions and national governments need to incorporate responses to ageing in their development strategies. They acknowledge that questions of critical importance to younger generations – on the agendas of the development analysts – are also critical to older populations. These include poverty, material security, hunger, education, changes in household structures arising from such factors as migration and HIV/AIDS, endemic conflict and the struggle for health.

2. Proceedings of the seminar

The opening session

'We know that poverty is intergenerational, that it is bequeathed as easily as wealth, yet development thinking and the MDGs as yet do not acknowledge this relationship.'

Todd Petersen
HelpAge International

The opening remarks of **Todd Petersen** of HelpAge International highlighted his organisation's concern that population ageing be mainstreamed into development policy and practice. He noted that development issues of critical importance to older people, including poverty, material security and health, feature on the development agenda primarily in relation to the wellbeing of younger generations, which in the view of HelpAge International results in policies that further exclude and impoverish older people.

He outlined some of the key findings of HelpAge International's research and programme work which support the view that older women and men are key contributors to family and community survival and welfare, and that poverty is intergenerational and is bequeathed as easily as wealth. HelpAge International believes that global initiatives to reduce poverty will not succeed unless older women and men are included in these initiatives. New initiatives should ensure that national governments and international development institutions embrace the implications of population ageing in their development programmes and policies.

In his address, **Henry Aaron** of the National Academy of Social Insurance pointed out that all economic and social policy is relevant in some sense to the wellbeing of older

people, and that all public policy on social development should therefore make connections with lifecourse issues. He noted that policies affecting families, children and young adults might have great relevance to the conditions of older populations. He highlighted poverty among the old as the key issue for debate, and noted that resource-poor countries face 'tragic limits' in providing support for their poor, particularly the growing numbers of older women and men. He remarked that the non-governmental sector enjoyed a good record of providing value for money, and predicted that the older poor of all countries will continue to depend on assistance from non-governmental organisations.

He noted the 'tragic trade-offs' faced by developing countries in making public policy choices, and the indifferent record of economists and budget officials in supporting innovative change. He acknowledged the different issues presented by population ageing in poor countries, which is happening rapidly and at a time of increasing poverty, and in rich countries, where demographic change has been slower and accompanied by growing prosperity. He cautioned against too much reliance on demographic projections, and urged modesty in prescriptions and analyses.

'Policies that affect families and children and young adults may and do have a great relevance to the conditions of the old. All economic and social policy is therefore relevant in some sense to the wellbeing of the old.'

Henry Aaron
National Academy of Social Insurance

Social protection in a globalised world: Keynote address by Joseph Stiglitz

Joseph Stiglitz, Nobel Prize winner and former Chief Economist of the World Bank is the founder of the Initiative for Policy Dialogue, an independent network of development economists, practitioners, and journalists based at Columbia University. The Initiative for Policy Dialogue (IPD) was set up in 2000 to work with developing and transition countries to explore economic policy alternatives. It examines key social, economic and development policy choices that are appropriate to each country and circumstance.

In his presentation, Professor Stiglitz laid out a framework for thinking about social protection for older people in developing countries, emphasising broad objectives in approaching policy issues. He began by describing the objectives of social protection systems for older people, focusing on some of the distinctive aspects of developing countries. The term 'social protection' refers to the notion that individuals face risks. One risk is uncertainty about longevity and productivity, as individuals do not know how long they are going to live. There are also risks associated with inflation and market fluctuations. Social protection is meant to provide insurance against these risks. There are also social objectives of protection, such as transferring income to reduce poverty and inequality.

In designing policies it is important to keep in mind the differences between developing and developed countries, as well as the differences across countries. Perhaps the distinguishing feature of low-income countries is their low incomes, which often defines their policy choices. Yet some developing countries have a high level of economic growth, while others have negative growth. Any policy has to be based on the specific circumstances of each country. This is something greatly emphasised by the Initiative for Policy Dialogue.

A second point is that developing countries are often going through a demographic transition, characterised by increasing longevity, meaning that the importance of social insurance will continue to increase. In many countries the family structure and traditional ways of caring for older people are changing. Development is increasingly associated with urbanisation and the fragmentation of families, with traditional sources of support for older people being undermined.

Several characteristics of developing countries make the problems of designing an effective system more acute. One is that capital markets are often underdeveloped.

> 'There are a number of social objectives of protection. One is providing insurance against those risks that the market fails to insure against. A second is transferring income and that's related to the problems of reducing poverty and reducing inequality and income gaps.'
>
> Joseph Stiglitz
> *Initiative for Policy Dialogue*

Another is that the informal sector is not only large, but in many parts of the world (e.g. Latin America) it has actually been increasing, and it is difficult to insure the informal sector. In designing policy, it is important to maximise gains to the economy while keeping transaction costs low, bearing in mind the proportion of the population covered, and the impact on savings, the labour supply and capital market development.

There is a widespread view that developing countries should have a fundamentally privatised system for social protection, with individualised accounts. This is often put in terms of a three-tiered system, with a public first tier and a compulsory second tier within the private sector. The general suggestion is that the second tier should be very large, and the first tier relatively small. Professor Stiglitz argued that there is a more persuasive case for a broader public role than has often been realised. He argued that, in many ways, public systems can be more appropriate to circumstances in developing countries. In addition, he questioned the widely held view that fully funded systems are always more appropriate than pay-as-you go systems.

The United States system has worked remarkably well in terms of the objectives outlined above. It has low transaction costs, has provided insurance against inflation, and has almost eliminated poverty among older people in the US. Analytic work has shown that reforms have had no significant adverse effects on the labour supply. There has been an impact on redistribution of income, but this is an inherent part of the programme, and an important part of any attempt to reduce poverty.

One of the main concerns about privatisation is based on the high level of transaction costs. A recent study by Michael Orszag and colleagues[4] shows that, in the UK, a result of the partial privatisation of the social security system has been that benefits are roughly 40 per cent lower because of privatisation; that is, the increased transaction costs resulted in a lower level of benefits. In developing economies, this problem can be exacerbated. This is one reason why the strategy of privatisation should be viewed with caution in many developing countries.

It is sometimes argued that privatisation facilitates the development of capital markets. On the other hand, when capital markets are less developed, as they are in developing countries, there tend to be higher transaction costs, higher volatility and less perfect insurance. The consequence is that the welfare of older people could be markedly less than under a public programme. In short, there are trade-offs between development objectives: the development of capital markets versus the social objective of protecting older people.

Another argument in favour of privatisation is based on the high level of government corruption in developing countries, and the greater extent of government failures. The idea is to minimise the role of government through privatisation. However, as we have learned in the United States, security markets need regulation. Governments in less developed countries are less capable of providing regulation in the same way that they may be less capable of managing the social security system. As a result there is a greater risk of private malfeasance. In fact, corruption occurs in both private and public sectors. There is no reason why higher government corruption should thus create a presumption for privatisation.

Finally, there are concerns in the US and other countries about fiscal problems stemming from social security. Yet, at the margin, the current system is in balance: that is, there is a rough balance between individuals' contributions and benefits. The problem is the inheritance from the past. If we can solve the transition problem associated with privatisation, we can solve the fiscal problem in a public system. Moreover, if individuals invest in the stock market and the market crashes, there will most probably be a public bail-out of the retirement system. The notion that privatisation is the only way to have a form of commitment without a deficit is simply wrong and unpersuasive.

We have some first-rate working models of public-sector social insurance. We do not really have corresponding first-rate models of how the private sector would work, withstanding the vagaries of stock-market fluctuations, inflation, irrational exuberance, the lack of information, and the willingness of capital markets to exploit the ill-informed and prey on consumers or the elderly, as happened in the recent scandals in the US.

'Income redistribution will either have to occur through the income tax system or through a social protection system. Social protection… provides a way of doing it with a certain amount of dignity.'

Joseph Stiglitz
Initiative for Policy Dialogue

Professor Stiglitz also pointed out that the issue of having a fully funded system is not equivalent to having a private system. One can have a fully funded public system as well as a fully funded private system. These two issues are often lumped together, but are actually distinct and should be analysed separately. Dependency ratios are currently far more manageable in developing countries than in more developed countries. However, with the demographic transition, much of that will change fairly quickly. This is a reason often cited in favour of a fully funded, rather than a pay-as-you-go, system. Yet, there are aspects of the demographic transition that make a more compelling case for a pay-as-you-go public system than has been recognised.

In many ways, income growth is more important than the demographic transition. In successful developing countries, such as China, income growth is high, putting the country in a better position to have a pay-as-you-go system. There are aspects of rapid productivity growth that a social insurance scheme needs to take into account. For example, in East Asia per capita income increased eight-fold over a span of 30 years. With an individual account system with no significant redistribution, the income gap between older people and the population average will be enormous. This is a level of disparity in income that many societies will view as intolerable. They will be forced to enable significant redistribution, through either income tax or a social protection system. The social protection system provides a way of doing it with a certain amount of dignity.

All countries need to look very carefully at the design of social insurance systems, and ways to provide better protection with better incentives. Professor Stiglitz gave two examples of systems that could be considered. One idea is based on integrating all social insurance systems, such as unemployment, retirement and health insurance. Another idea is to index the retirement age: with better health, people live longer, but they are also capable of working longer. Indexing the retirement age could provide risk-absorption for the fiscal balance of the social insurance system.

Professor Stiglitz concluded that there is no subject of greater and increasing importance than the ageing of the population. Correspondingly, there is a need to provide protection for the important population group composed of older people. This influences the very nature of our societies, and affects not only older people but also all aspects of societies.

Governance aspects of social protection programmes: Keynote address by David Walker

'There's an opportunity for individuals to be able to contribute to society in very meaningful ways for much longer periods of time than historically they have done.'

David Walker
Comptroller General of the United States

David Walker, Comptroller General of the United States, gave the second keynote address of the seminar. He approached the issue of 'population ageing as a challenge to governments' and 'governance issues in managing social protection programmes' by offering insight into how the United States might deal with the economic challenge of ageing. He acknowledged that the key challenge centres on the impact of an ageing population on economic growth, and that workforce growth is slowing partly because of retirement patterns.

He noted that in a 'knowledge age', there should be an opportunity for countries with rising older populations to manage this: 'there's an opportunity for individuals to be able to contribute to society in very meaningful ways for much longer periods of time than historically they have done'. He remarked that a country with an ageing population needs to look carefully at the 'extent to which federal policy and employer practice serve to discourage people' from contributing to the economy. Given that a majority of people of retirement age would be willing to continue to work part-time, it may be desirable to remove barriers to continued working, which would in turn reduce some of the costs of an ageing population.

His address covered the economic implications of the US social insurance system on the budget, and the issues that the American public would have to consider in order to maintain it. The US approach to retirement combines income, health and long-term care, stressing quality of life. Health provision is the most complex area as it is expensive: either taxes need to go up, or entitlements need to be reduced. Otherwise, growth is affected and fiscal flexibility decreases.

Mr Walker prefaced these remarks by tracing the shift in US budget allocation since the 1960s (reflected in all developed countries), characterised by a relative decline in defence spending and an increase in social security and medical care, in part due to ageing, and increased interest on the federal debt. In the 21st century, we are seeing increased defence spending, and social security and health insurance is also increasing due to ageing. Healthcare accounts for a large proportion of the budget, and the lack of understanding in Congress and among the general public about its structure, coverage, gaps and inconsistencies could be a cause of serious problems in future.

National forecasting to 2030 reveals that, to maintain levels of health and social security spending, either taxes will have to rise by 25 per cent, or spending will have to be reduced by that amount. Spending levels are expected to double by 2050. Mr Walker noted that 'there are many things that we might be able to afford today that we will not be able to afford and sustain tomorrow'. On the other hand, governments can engage now in forward planning to ensure that they can review and 're-engineer' social insurance programmes and existing federal spending programmes, including tax preferences, to achieve 'social security reform… that exceeds the expectations of all generations of Americans'. In this context he acknowledged that 'retirement security is not just about income. It's about health too. It's having access to affordable healthcare' and 'long-term care… is a quality of life... and health… and income-security issue'.

Mr Walker proposed that developed countries recognise their capacity to support developing countries as they face similar challenges. He has begun discussions with World Bank President James Wolfensohn about these issues. He noted, however, that 'increased social welfare expenditures lead to reduced budget flexibility' and that this inevitably produces 'pressure to reduce entitlements and other discretionary spending, including foreign aid'. He reflected that longevity worldwide is increasing at a time when economic development in the United States and other parts of the developed world is in decline, with the result that there are reduced markets for goods, aid budgets are very tight and labour from the developing world is migrating to industrialised countries. He surmised that in the developing world there will be reduced opportunities for market-related growth, and greater difficulties in combating the poverty- and health-related challenges for older populations.

He concluded by affirming that he and his 180 government-audit colleagues across the world are collaborating to share ideas and come up with policy solutions to the economic, social and fiscal challenges of population ageing. He urged that we break free from the 'dual afflictions… of … near-sightedness and tunnel vision'. He proposed that the guiding principles for social protection should be appropriate incentives, transparency and accountability.

'We need to look at the extent to which federal policy and employer practice serve to discourage people to contribute to the economy... and we need to remove barriers.'

David Walker
Comptroller General of the United States

Roundtable 1: Development priorities in an ageing world

This session considered how the development debate and policy priorities might be reframed in the context of an ageing developing world. Experts were invited to give commentaries from the perspective of demographic forecasting, looking particularly at: the impact and implications of HIV/AIDS in developing country population profiles; evolving development policy and attention to the chronically poor; and policy issues in developing countries relating to health and ageing. The panel was chaired by **Eugene Steuerle** of The Urban Institute.

Victoria Velkoff of the US Bureau of the Census considered the demographics of ageing in developing countries, the impact that HIV/AIDS may have on ageing in those countries, and the data and analysis needed for improved understanding of ageing. She noted the serious limitations of the data on ageing, as they are mainly collected via census, are not yet flexibly interpreted and are not supplemented by survey data looking at relationships between the key topics of 'intergenerational transfers, caring, health status, family structures and wellbeing, economic status and health'. She noted that overall data-gathering on older age in developing countries is neglected, and called for cross-national and multidisciplinary research 'to facilitate our understanding of the older populations across national boundaries'.

With fertility rates in Brazil, China and Thailand below replacement rates, higher life-expectancy rates in Chile, China, and Peru than in Russia, and the numbers of oldest old people increasing in all regions, she predicted the 'difficult debates over healthcare costs, social security costs, intergenerational equity that have already emerged in Europe and North America'. She pointed out with supporting data that even in countries beset with HIV/AIDS, numbers of older people are set to double; in sub-Saharan Africa, older persons will increase from 30 million to 60 million by 2030.

In the context of Asia, and specifically China, **Professor William Hsiao** of the School of Public Health, University of Harvard considered the impact of migration on social structures of households and on the wider social support system. He argued that the implications of migration in developing countries were under-researched. He suggested that development policy should acknowledge more centrally the impact of migration on development aspirations and give greater support to the development of local 'social support organisations', as a necessary complement to income support.

In his discussion of viable models of social support for developing countries, Professor Hsiao focused his remarks on medical provision, and emphasised that the centralised and technical medical model of the United States and other developed countries is neither appropriate nor cost-effective for developing countries. US data show that health spending in old age is heavily weighted in favour of people with multiple or chronic conditions, and expenditure is not concentrated at the community level but in hospitals. This is neither desirable nor helpful for countries such as China, where investment should be made in community medicine. Professor Hsiao reflected too that China previously had a working health system based on locally produced drugs and locally trained doctors. A consequence of its rapprochement with the West has been a move away from this local production and provision, and now drugs and drug distribution are too expensive for local use. There is a corresponding increase in child mortality.

He argued that it was important for developing countries to think beyond the most up-to-date technology, and to prioritise community-based health care that is 'very close to the people'. Developed countries should support this through aid programmes. In arguing for a renewed focus on appropriate, community-based medicine, Professor Hsiao proposed that 'there is potential for developing countries to think outside the box and leapfrog the developed countries.'

William Easterly of the Center for Global Development and Institute for International Economics approached the issue of development priorities by debunking three 'myths': that 'money and investment will bring development', that 'development advice can buy you an all-seeing bureaucracy that will implement good solutions for all kinds of development problems' and that there are 'magical solutions' for development success. He reflected that GDP in Zambia is now lower than at independence, and contended that 'money does not finance investment, it finances consumption'.

He commented that assumptions that resource-poor governments will choose redistribution over long-run development are not necessarily borne out by experience, and that development needs to come from the 'bottom up rather than the top down'. He reflected that the slow progress in development was less to do with anti-developmental values 'hard-wired to cultures' in poor countries, and more to do with an 'endogenous outcome of the lack of economic opportunities'. He remarked that, in his view, aid agencies have struggled to set priorities and 'direct funds to the places where the benefits are highest and the costs are the lowest', and added that the international financial institutions and member states of the UN have failed both to achieve goals of adjustment with growth and to deliver on development and human rights agreements.

'We need to have comparable data for a wide range of countries… it's very important for funding agencies to facilitate the harmonisation of data collection across countries… so that the data are comparable and we can use them internationally.'

Victoria Velkoff
US Bureau of the Census

Mr Easterly urged new thinking in development to shift from focusing on inputs, to supporting incentives, and specifically to make connections between the incentives of the aid agencies, national governments and private individuals to solve development problems. In this context, the concept of global public goods was useful. The core criterion of 'acknowledged priority' such as the fight against AIDS, malaria and TB for global goods resulted in progress in international research, effort to achieve measurable results, issues of accountability and the drive for adequate funding.

Despite his view of failed aid policy, he concluded with the comment, 'I don't think we can give up and accept the really lousy outcomes in the 85 per cent of humanity that lives in poor countries', and paraphrased Abraham Lincoln's words, 'let us keep striving so that development of the people, by the people and for the people does not perish from the earth.'

Dalmer Hoskins of the International Social Security Association (ISSA) observed that from the evidence of 400 institutions in 150 countries, ISSA believes that the debate has moved on from the rights and wrongs of either public or private systems. The question instead is the desired 'mix' of public and private social protection mechanisms, and how to achieve 'joined-up thinking' between social insurance, benefits and savings schemes. Secondly, a key concern of developing countries revolves around the health of the population, rather than simply the supply of income via pensions to older persons.

A third area concerns the validity of developed country models for the supply of social insurance for developing countries. In the developing world, more and more people find themselves outside formal protection systems. Women are a special concern, as they tend not to have acquired benefits in the formal system and are still not included in programmes of informal assistance. The continuing expansion of the informal sector is challenging past assumptions that economic growth would ensure that increasing proportions of workers would be covered by formal protection mechanisms.

Mr Hoskins identified the issues of governance and political will as core factors. Even when institutions and benefit regulations exist, they are often poorly applied. 'We see that many older people in the developing world would be much better served if the institutions only applied the law they have and delivered the benefits that have been promised.' He observed that, in Mexico, 60 per cent of working people are nominally covered by the national social security scheme, but only 35 or 40 per cent are receiving due benefits, because of poor levels of payment, bad record-keeping and poor administration. Problems of self-serving lifetime pension provision at high levels and at early ages for privileged groups such as civil servants and the military need to be tackled in reform programmes. He felt that these issues can be addressed within the global agenda for improved global governance. He remarked, 'It does take political will, and we have seen countries that have had that political will make tremendous strides in providing benefits for people in developing countries, those people who already paid into the system'.

Mr Hoskins urged participants to look carefully at the solutions being developed by governments in the developing world, and then to consider their durability and replicability. ISSA is looking at a range of new ideas to deliver social protection, and the debate includes weighing up the options between means-tested and flat-rate benefits to support poverty reduction. Evidence from Brazil indicates that 'a small benefit each month (paid out of the state budget) to an older person in Brazil does a lot to raise people out of poverty, not only that person but the entire family'.
In China, where there is a marked migration of younger age-groups to the cities in search of work, the pension to older persons provides support to those children that have migrated to urban settings.

In general, findings indicate that it is important to link social insurance to other forms of social assistance, and to prioritise family impact. Effective social insurance will therefore include a mix of flat-rate benefits and individual savings. Mr Hoskins concluded by reinforcing the importance of coordination and 'joined-up policies', with the government as 'regulator and catalyst'.

The discussion with participants affirmed that there was no 'simplistic' response to the challenge of development aid. It was important too to consider the impact on developmental aims of protectionist policies led by the developed world in the fields of agriculture and trade. In general it was thought that priority should be given to the 'resourcefulness of development that comes from the bottom up, and not try to impose it from the top down'.

'Since a mosaic of policies [is] needed to help older people have a secure life, coordination and integration will need to be done in "the public place".'

Dalmer Hoskins
International Social Security Association

Roundtable 2:
The link between development and social protection

This session examined the integration of social protection with policies aimed at reducing poverty. The panel was asked to consider how the reform agenda for older people in the developing world might be widened beyond a narrow focus on pensions and social security reform. The panel was chaired by **Timothy Smeeding** of Syracuse University.

'Macro-stability is important. Social protection is important. Social protection that blows the budget will be ineffective. A budget that is so stringent that it doesn't allow social protection is self-defeating.'

Nicholas Barr
London School of Economics

Nicholas Barr of the London School of Economics covered issues relating to the options available to developing countries for financing social protection mechanisms, and how targeting might be approached. Mr Barr first traced four options for covering the costs of social protection in old age: voluntary charity at the local and community level, simple taxation, income tax, and social insurance contributions. The last two options require national capacity to measure income and the ability to collect taxes, or income via tax, and to maintain records. He pointed out that the options are not exclusive, and the more advanced a country or system, the more all four will be used.

Mr Barr then looked at options for targeting. He noted that it is obviously important to distinguish between 'general programmes for general groups' and 'specific programmes for specific groups'. Four methods were considered:

- *local discretion, which is relatively easy to administer, but not an inclusive approach*
- *self-targeting, through participation in programmes such as Food for Work – this is not an inclusive approach nor especially useful for older populations*
- *'indicated' targeting, through for example, poverty indicators – the issue here is deciding which indicators should be used to indicate eligibility*
- *means-testing via income – which brings with it a number of associated problems to do with work disincentives, stigma and administrative complexity – it is also difficult to administer when there is a large informal sector.*

In sum, the 'hierarchy of possibilities' for social protection of older people includes poverty relief, financed out of local income and local donations, poverty relief also financed through transfers from central government, some form of tax-financed flat-rate support based on clear indicators (e.g. old age, children) and a tax-financed citizen's pension.

In Mr Barr's view it was important to 'minimise reliance on income testing' as this is administratively difficult, expensive and can induce stigma. He felt that tight targeting is possible however, even in the absence of an income test, on the basis of well-chosen indicators. Some of these are already used in poverty programmes, and include children's attendance at schools, free meals, health clinic records and numbers of children in poor locations. Old age is also a 'very good way of targeting benefit', and he pointed out that pensions in South Africa and Brazil are effective because they target women too.

In addition to targeting, it is important to address reforms through income tax. Taxes should reflect redistribution through social protection; there is a clear role for tax-financed benefits and pensions, and the related benefit of 'consumption smoothing'. Furthermore the relevant ministries (such as those concerned with finance and social protection) need to be in close communication. Mr Barr's recent experience in South Africa, where he had been invited by the Treasury to review pension issues, underlined this. Finally, national budgets need to be constructed to include coverage for social protection. In conclusion, Mr Barr stated: 'Macro-stability is important. Social protection is important. Social protection that blows the budget will be ineffective. A budget that is so stringent that it doesn't allow social protection is self-defeating.'

Robert Gillingham of the International Monetary Fund made the point that development defined in terms of 'high-quality growth… that is sustainable over time… accompanied by investment in the future, including human capital' is needed before social protection is possible. Development and related financial stability are needed to fund social protection. In this sense it is not possible to treat social protection separately from difficult development issues, and the goals of development and social protection are very complementary, as they 'reduce poverty and improve equity'. He stated that 'social protection, under those terms and under those definitions, is an obvious goal of development and of development assistance.'

Regarding protection for older people, Mr Gillingham acknowledged that social insurance should cover risks including poverty, as well as longevity and infirmity. In general, for older persons, 'escape from poverty is much more difficult'; both longevity and infirmity are insurable, although 'we often do it badly', and more developed countries have 'sophisticated' insurance programmes that also mitigate against poverty. Developing countries may find it difficult to institute effective insurance programmes that also combat poverty. In this context, Mr Gillingham expressed the view that a certain amount of 'formal income' was necessary to ensure that there was enough institutional capacity to collect income and have the mechanisms to redistribute to the poor through social protection mechanisms.

He discussed the challenges facing transitional countries in East and Central Europe, which do not have the income to deliver promised benefits to their older people who consider that they have 'acquired rights' to these benefits. He questioned the concept of 'acquired rights' when the fiscal stability to deliver was lacking.
He outlined how governments facing fiscal stress might seek to 'hide benefit cuts' and wondered how feasible this was as a policy without the assent of citizens.
He concluded that an 'integrated social safety net is going to provide a better basis for social assistance than a set of ad hoc and disjointed programmes', and the promotion of 'growth and development that respects the goals of poverty reduction and equity will provide the wherewithal for more effective social protection systems'.

‘Social protection is an important part of poverty reduction… it is an investment… it… allows people to maximise their productive capacity.’

Anita Schwarz
World Bank

Anita Schwarz of the World Bank discussed the link between social protection and development, and the experience of the World Bank in supporting these connections. World Bank research has found that there are a range of measures in place to manage the risks associated with old age, disability and death, including family support, self-insurance, financial instruments, employment insurance and public-mandated schemes. Nevertheless, findings gleaned from the 2000 ‘Voices of the Poor’[5] research revealed great concern among poor people about how they would cope with their own and their relatives’ old age. Key factors here include the break-up of traditional support structures based in families and communities and the impact of HIV/AIDS, which both reduces support for older persons and gives them additional burdens of caring and financial responsibilities for others at a time of life when they least expect it.

The risks experienced by older age groups in fact impact across all generations, and assumptions that older persons are able to rely on their children are in turn risky. It is not a given that children are reliable. They expect their parents to care for their children and are often unwilling and unable financially to support their parents in old age. In contrast, preliminary findings of World Bank research show that if older people ‘control’ income, it is more likely to be spent on household requirements, including the schooling and health of grandchildren.

The World Bank is becoming increasingly concerned about the fiscal pressures of public schemes, and the spin-off favouring of certain social and political groups via such schemes. Ms Schwarz cited the experience in Brazil, which now has a 75 per cent fiscal deficit, and stated that the World Bank recognises that the initial focus on public/private shared social insurance is not yielding the results anticipated. There is little or no redistribution, and social protection provision is being crowded out by health and education expenditures. Additionally, beneficiaries of shared schemes are low – figures cited included 10 per cent in South Asia and Vietnam, and less in Africa, whereas in Singapore the level was as high as 70 per cent.

This failure is compounded by the continuing lack of good data on coverage by existing schemes, and by the limited usefulness of the benefits in comparison to the need. ‘Sometimes the benefits being paid by social insurance are so small that you still end up with poverty.’ A key constraint is the lack of data on poverty among older people, and on the numbers involved. ‘We don’t have good data on how many poor there are among the elderly or how many elderly are poor.’ There is a need for more intra-household surveys. Assumptions held about living arrangements and care mechanisms for older people are being challenged by some recent data: for example, in Pakistan 40 per cent of older men, and 30 per cent of older women, are living alone.

Currently, the World Bank is looking at the usefulness and viability of non-contributory social pensions in the fight against poverty, and their integration with other public-mandated schemes. While it is acknowledged that incentives for contributory schemes may go down with the provision of a universal social pension, benefits can be adjusted to be low (Nepal’s pension to the over-75s represents 10 per cent of average per capita income, though it appears to be making a difference). Means-testing can indeed reduce numbers of beneficiaries in line with agreed targeting but at the same time the experience of Namibia shows that it increases the overall costs of the provision. The World Bank is aware that the costs and mechanisms of documentation required for citizens to receive benefits, whether means-tested or universal, needs to be considered.

The initial conclusions are that 'in low-coverage countries this [the universal social pension] may be the only way of reducing old-age poverty and offering security to all of the elderly'. Universal social protection in old age can therefore be a key means of supporting the lifetime poor. It was also suggested that assured income provision in old age may encourage individuals to invest more readily in productive assets as appropriate in early life, rather than in fixed assets as their means of insuring against the risks associated with longevity. In this respect the World Bank considers that 'social protection is an important part of poverty reduction'. And it is 'an investment, not a liability'.

Lawrence Thompson of The Urban Institute emphasised the need for developing countries to give priority to building capacity of key institutions as part of the social protection 'package'. He outlined how institutional weaknesses in administering and managing transparent and accountable schemes at country level limit options for the choice of social protection mechanisms. There is a clear need for a realistic assessment of capacity before decisions are taken, including that of institutional development and linkages between institutions. He then outlined his views regarding the two main strategies for debate: universal or targeted provision.

He pointed out that a targeted programme through contributory systems is very complex, and the administration of revenues in terms of benefits requires centralised systems, including a unique identification for each citizen and a national enumeration agency. Revenue depends on the level of prior contributions, and is in turn dependent on knowledge held about the contribution level and whereabouts of contributors. Transparent regulation and accountability is necessary for such systems to function. Tasks include population enumeration, an ongoing process of centralising data, regular household data collection and methods to track contributions. He also pointed out the importance of transparent procedures at national level to govern central and local delivery mechanisms, citing the experience of Ukraine where, of those eligible for a benefit delivered at local level, only 50 per cent receive it. Mr Thompson's overall conclusion is to favour universal approaches to protection, built up alongside support for 'good' institution-building in developing countries. Transparent budget processes are required 'which allow people to understand how much they're going to get and allow people at the centre of the government to track the money'.

Key points raised in the debate with participants included the means by which social protection might be considered in the same way that health and education are seen as 'contributors to the development process' – not as a liability but an asset alongside other forms of social service and whether the future would see global funds for social protection alongside global funds for health and education all tied together around MDGs [Millennium Development Goals] and PRSPs [Poverty Reduction Strategy Papers]? It was acknowledged that universal provision in old age has intergenerational benefits – indeed in a number of countries the pension is the key means by which the old support the young. However, issues to be resolved include the development of inclusive, transparent and simple mechanisms for delivering social protection. Support for developing countries to build institutions and generate information on the numbers of older poor people is a priority.

Roundtable 3: Strategies for the future

The final roundtable session considered the strategies and mechanisms needed to ensure that development aid and national development programmes effectively deliver tangible benefits to older populations in developing countries. The panel was chaired by **Stanford Ross** of the US Social Security Advisory Board.

Johan Scholvinck, Department of Economic and Social Affairs, United Nations, outlined the global process necessary to implement the Madrid International Plan of Action on Ageing (the Madrid Plan) and its regional follow-up mechanisms, including that of the UNECE region (the UN Economic Commission of Europe, a region which includes the USA and Canada) and UNESCAP (the UN Economic Commission of Asia and the Pacific). Paragraph 132 of the Madrid Plan specifies that the international commitment to monitor and ensure practical outcomes to the plan will be debated and reviewed at the Commission of Social Development (CSD). Monitoring mechanisms were to be debated at the February 2003 CSD sessions.

Mr Scholvinck acknowledged that these monitoring mechanisms were a source of disappointment to non-governmental organisations (NGOs) that met in Berlin during the UNECE meetings. In response, he put forward the view that monitoring is not only a global process, but also a national and regional one. For example, the Asia plan on ageing is not dependent on the CSD, and will follow its own process guided by the contents of the Madrid Plan. His department in the United Nations will support a 'bottom-up' approach to implementation, focusing on review and appraisal of progress at national level.

He shared the concerns already expressed that ageing is not considered in the Millennium Development Goals (MDGs) and in the Millennium Declaration. But he pointed out that the Secretary-General of the UN has brought together heads of all UN agencies and asked them to review action on ageing. This follows the declaration by the Secretary-General in Madrid that 'world ageing can be likened to a silent revolution, a force that may be of a similar magnitude as globalisation'. Furthermore UN follow-up to the commitments made in Madrid includes inclusion of ageing on the agenda of the UN's 'Chief Executive Board of Coordination', chaired by the Secretary-General.

Mr Scholvinck noted that the 2002 Conferences on Financing for Development and Sustainable Development featured ageing, acknowledging the role of pension schemes as a source of social protection as well as savings and for development, and the right of older persons to participate in policy- and decision-making. In addition, the 2002 report of the Secretary-General on progress towards Millennium Development Goals[6] includes issues of ageing. But much more has to be done, particularly with regard to MDG work. In Mr Scholvinck's view, 'the inclusion of all population groups is one that is key to achieving the MDGs. The absence of older persons in the Millennium Development Goals needs to be addressed'.

Measures to achieve this will include actions to acquire 'age-sensitive data' and to develop 'appropriate global indicators to monitor the situation of older persons… to reach the poverty targets set by the UN'. Political commitment is vital to achieve this, and is itself necessary to realise the goals of Madrid and the MDGs. For the UN and NGO community it is important to build on the momentum generated by the strategic linkage made in Madrid between older persons and development, and work energetically to 'link ageing to the frameworks for social and economic development'. He considered that developing countries can show the way by developing inclusive age-friendly policies.

George Kopits of the International Monetary Fund (IMF), explored the impact of public debt burdens on social insurance programmes in developing countries. He noted the difficulties already being experienced in Germany and France with the agreed 3 per cent deficit reference limit of GDP on fiscal deficit and 6 per cent limit on public debt agreed in Maastricht. He noted that countries in Latin America, together with transitional countries in East and Central Europe, are experiencing severe fiscal stress and low growth, and pointed out that their unwillingness to reform both generous pension arrangements for civil servants and the tax system was creating more difficulties. In Brazil, liabilities ascribed to the public pension system are equal to GDP, and the social security system and pension provision for some sectors weighs heavily on the budget, which 'squeezes out the money on poverty-focused programmes'.

He reviewed some criteria for reform, including establishing a cost-effectiveness system of benefits based on history of contributions, transparency of funds and clear statements and reports on contingency liabilities over time. He suggested that the US annual report on these issues could be a model for replication. The design of reformed systems should maximise coverage, target those in need, including older persons, minimise the budget costs of social assistance, and build administrative capacity to run the systems.

While the IMF has no funding earmarked for social security reform, and considers each request for support in this area separately, it does have a 'mandate on transparency'. The IMF has therefore developed a code of 'best practice'[7] (available via the Internet) for policy makers, the public and the financial markets. The IMF does support reform of pensions and social assistance where there is an effort to include sensible, realistic targeting. It will support a viable system for which a country claims ownership, and that takes into account the cultural aspirations of different societies. It also provides technical assistance to minimise the transition costs of moving between one system and another.

Mr Kopits concluded by stressing the need for innovative responses to develop cost-effective systems that are viable and provide adequate social assistance. He urged that attention be given to the reform of existing systems which effectively 'crowd out' genuine needs in the areas of poverty and education 'by excessively generous retirement pensions for the few – civil servants, the military – who retire on their full salary'.

'If it is possible to make sanitation part of the MDGs (as happened in Johannesburg) I do not see why ageing cannot also be combined with the MDGs.'

Johan Scholvinck
United Nations

'You see a better business environment where there's real encouragement for disabled people to move into the workforce.'

Judith Heumann
World Bank

Judith Heumann of the World Bank explored experience from the field of disability as a potential pointer to future policy making regarding older people. She spoke of her own encounter with ageing when she was working at community level, supporting disabled people to be more independent in their communities, noting that disability can be acquired, and that this can be linked to the ageing process. The lack of accessible services of all kinds becomes increasingly important with ageing. Her work in California centred on persons with physical disabilities and those with low vision, which brought her into close contact with older people, many of whom did not feel comfortable with seniors' centres which had few provisions for their needs. Working with these older people, who were also often suffering from depression and declining self-esteem, Ms Heumann found that it is important to help them to transfer from a medical model to one which asserted their ability to contribute, manage and retain independence. She found that the combination of age and disability did not allow for the maintaining of 'independence or ability to make decisions; there is an assumption that if one was older and had various types of disabilities that you were unable to make decisions'.

She went on to describe barriers preventing the participation of older people, and stated 'the development community, the lending agencies have really played a role in continuing to develop communities that are not accessible, and the lack of accessibility plays a very significant role in what is going to happen to people as they become older'. She illustrated her points by describing her personal experience of visiting Hanoi, Vietnam and the difficulties for older and disabled persons caused by high curbs and lack of adequate attention to issues around accessible transportation. In her view, developing countries need to connect issues such as transport policies to goals related to employment policy and efforts to keep people in the workforce.

Development policy initiatives should be informed by the experience of self-help programmes which 'facilitate people's ability to be more independent in their communities'. Attention needs to be given to reviewing the kinds of programmes and services that are available. Ms Heumann agreed that it is problematic that older populations are not the centre of concern for policy makers; she is aware that they are 'not being looked at as a primary population'. Nevertheless, there is an urgent need to improve efforts to work with healthcare workers and service providers on provision for older people. Basic data are lacking on a range of issues, including the types of healthcare provision available to older people in developing countries.

On the poverty-related work of the World Bank, specifically the Poverty Reduction Strategy Papers (PRSPs), Country Assistance Strategies (CASs) and the Millennium Development Goals (MDGs), Ms Heumann commented that 'when we're looking at the older population who have disabilities they are virtually not listened to and there has not been a big movement to really get them involved the discussions'. Ms Heumann affirmed that 'poverty is a link to disability and disability is a link to poverty… disability is linked to age'. She acknowledged that the World Bank had done very little in this area but is currently considering how its work can begin to break down accessibility barriers. In her view, policy should be made in the context of an ageing world, and interventions in developing countries should be designed with the goal of enabling full participation. There is a clear argument for the World Bank to develop a strong inclusion agenda, and older people should be involved in those discussions. She called for more support to communities and community organisations.

Final remarks

The seminar was concluded with final remarks from **Stanford Ross** of the US Social Security Advisory Board. He noted that the place of social protection has become a central issue at international and national levels, in both public policy-making and the informal sector. The question is why social protection is seen as a liability in comparison to other social services. Should not social protection be seen in the same way as health and education, as a contributor to the development process? Would it be possible to envisage a global fund for social protection, tied to the achievement of the Millennium Development Goals (MDGs)?

The implementation of the Madrid Plan will require governments and international development institutions to recognise the potential of older persons to contribute to the wider development agenda. Universal social protection may be a core strategy for this. Mr Ross affirmed the link between 'existing agendas and ageing', acknowledging that political will and vision are important to deliver this agenda.

Initially, the creation of a basic safety net to reach the poorest people is desirable. The developing world has an opportunity to address income provision in old age and redefine the concept of retirement, conceiving of old-age protection systems as flexible, less age-focused, and embracing concepts such as phased retirement, part-time work and people moving in and out of the workforce. Work on ageing could be informed by 'rights and dignities of persons with disabilities that brings the disability issue out of the human rights purview and into the development domain'.

Social protection should not be seen only as a publicly provided instrument of development. There are many good models at community level in developing countries, which point the way to innovations in the field and which could be supported by governments in even the poorest countries. These include community-based organisation by groups such as burial societies, market women or small farmers to provide healthcare or old-age incomes. Local initiatives often fulfil wider objectives of transparency and accountability, which seem elusive at national level or in the public arena. Demographic ageing also provides an opportunity for thinking beyond social protection about areas such as health promotion for a disability-free later life.

In making what Dalmer Hoskins called the 'compelling case for a broader public role' in social protection, markets and governments can be seen as complementary in the delivery of social protection. The debate needs to encompass the mix between public and private systems, and within those systems the mix of programmes. The developing world needs to restrict the diffusion of solutions from the developed world, and to seek approaches that deliver basic protection to all poor people at a level appropriate to their level of development. A future strategy on public policy for population ageing might have four strands: universal 'citizen' pensions, a retirement age linked to life expectancy, flexible labour markets, and the creation of an environment that enables people of all ages to function effectively. These are all issues reflected in the three priority directions contained in the 2002 Madrid International Plan of Action on Ageing.

'There is universal agreement here today that new thinking, new initiatives are required to address this challenge. Ageing issues in the developing world need to become part of mainstream concerns and discussion.'

Stanford Ross
US Social Security Advisory Board

'Cash and in-kind transfers, such as social assistance (including pensions) and social funds, which support small projects (such as social services, training and micro-enterprise development identified by communities) [have]... positive results for older populations and their families.'

HelpAge International [9]

3. Key themes and questions arising from the seminar

Summary points

Throughout the seminar proceedings, there was remarkable agreement on the nature of the major challenges facing developing countries due to population ageing – and on the inter-linking strategies required to meet the challenge. Strategies included a call for a fundamental fiscal realignment to generate the resources for social protection for all older persons, including income redistribution through a universal system of social protection, inclusion of older persons in global agreements and greater attention to researching and understanding the issues of older populations in developing countries.

The linkages between social protection and development outcomes require greater attention. The World Bank defines social protection interventions as those that 'assist individuals, households, and communities to better manage the income risks that leave people vulnerable'.[8] HelpAge International has defined social protection as 'those policies and interventions that both protect and promote the livelihoods and welfare of poor people'.[10] There was agreement at the seminar that social protection also needs to be considered in relation to other forms of support for poor older people, both to support themselves and to contribute for longer and substantively to household and community. Only a minority of developing countries provides this support to ageing populations; in the majority, lack of provision excludes and further impoverishes an increasingly significant population group.

Key themes

Social protection addresses a range of development challenges

One key theme that emerged from the seminar was the variety of the scope and range of responses to ageing in developing countries, and of the linkages with social protection programmes. The distinctiveness of the North and the South, as well as experience within the developing world, was considered. There is great diversity among developing countries and it is important to recognise that broad 'one size fits all' solutions are not likely to work. Rather, the specific circumstances of each country should underpin the design of tailor-made social protection systems.

Developing countries are distinguished by a number of features: low incomes, the demographic transition (which Joseph Stiglitz called an 'essential aspect' of their development), uneven economic growth within and between countries, underdeveloped capital markets, a large informal sector, and, in many cases, even higher levels of corruption than in the developed world. Formal policy frameworks have little impact on the realities of the lives of older people in poverty in developing countries.

Although population ageing is a single term, in reality it describes quite different problems in the developed and developing worlds. Different levels of economic development, and different stages of demographic transition, pose specific challenges for resource-poor developing countries. Poor countries face severe limits on their capacity to provide for the older poor, and to make the trade-offs with other social welfare interventions that such spending would represent. Policy makers may see these other issues (notably healthcare provision) as of higher priority than income-based social protection. But greater longevity in the developing world implies increasing numbers of older people without the ability to earn an income. However, poverty is much more than a lack of income; it represents a lack of opportunities, what Amartya Sen calls the 'unfreedoms',[11] especially for women. Furthermore, the risks of poverty grow with age, and escape from poverty is significantly more difficult for older people than for those of 'working age'.

Social protection is a development strategy to reduce poverty

In implementing the processes of global agreements to include older people in development and poverty-reducing programmes, the barriers to their inclusion need be addressed. These barriers include the lack of old-age-based global indicators and the absence of response to ageing in national programmes linking to the MDGs. Questions of critical importance to older people – including poverty, material security and health – feature on the development agenda primarily in relation to younger generations. Although poverty is an intergenerational phenomenon, which can be passed on as readily as wealth, neither development thinking nor the Millennium Development Goals have yet acknowledged this relationship.

Nevertheless, social protection and development are complementary. High-quality growth is sustainable over time, makes adequate future investment, is poverty-reducing and improves equity. Social protection is thus an obvious goal of development and therefore of development assistance. On the other hand, the consequence of fixing on narrow economic development goals, such as the development of capital markets, implies a 'trade-off' with the social objective of protecting older people.

One of the greatest concerns expressed by poor people is their prospects in old age. In particular, they have concerns about care-giving relating to changing family structures, given factors such as rapid urbanisation. In addition, other developments such as the HIV/AIDS crisis may mean that not only are supports from younger family members reduced but older people themselves have to take on a support role for children and grandchildren affected by AIDS. In these circumstances it is not surprising that social protection is seen by the World Bank as an important aspect of poverty reduction. If it is possible to provide a safety net for people, reducing the risks that they face, poor people can make productive investments to improve their own and their families' livelihoods.

Research in a number of countries shows that a steady income paid in the form of a pension is shared throughout the family. Further, good social-security systems mean that families with children can spend less on parents or grandparents and can therefore afford to spend more on education. The case of South Africa shows that, where benefits are targeted at older people, especially older women, this is empowering not only to the individual but also through her to the whole family. The regularity of the pension in a context where other income might be quite risky, and its role in family investment decisions in key areas such as health and education, is thus critically important. Enhanced social status is also a direct consequence of regular income.

Social protection is feasible for developing countries

To make social protection a feasible anti-poverty tool for older people, a number of conditions need to be in place, and barriers need to be overcome. For example, without the delivery of promises on increased development assistance, poor countries will have insufficient resources to provide comprehensive social welfare, health or other support to older people. For developing countries, options will thus need to encompass more informal social protection, with public provision using increased development assistance, as well as initiatives to link informal systems effectively with formal public provision.

In terms of public policy, wider macro-strategies will have an impact, such as the importance of balancing macro-economic stability with effective social protection. Policy-making will need to address distortions in public systems. For example, reluctance to reduce public employment and pension liabilities, or to raise taxes, may lead to a distorting emphasis on excessively generous public service pension systems, crowding out genuine spending needs for social assistance and other programmes.

> 'The inclusion of all population groups is one that is key to achieving the MDGs. The absence of older persons in the Millennium Development Goals needs to be addressed.'
>
> Johan Scholvinck
> *United Nations*

There are also administrative challenges in providing social protection. These include determining who should pay taxes, what they owe, and tracking contributions, as well as administering the benefits. The existence of large informal sectors in developing countries limits the ability to target such programmes effectively. Discussions examined the usefulness of such western-style enumeration systems, which require the identification and monitoring of each participant in the programme, as opposed to universal systems based on clear indicators such as age and gender.

Countries that have the real political will to do so can make tremendous strides in providing benefits to poorer citizens. Some of the barriers discussed above can be addressed. For example, questions of fiscal feasibility can be managed by adjusting the age of entry or level of benefit. In Nepal, for instance, pensions are paid from the age of 75 at 10 per cent of per capita income. How a system is designed is highly relevant to the effectiveness of the system.

Social protection mechanisms can support transparency and good governance

Public policy measures such as social protection can play an important role in strengthening processes supporting the objectives of good governance. Social protection requires clear and transparent processes to deliver its intended benefits. Guiding principles for social protection include appropriate incentives, transparency and accountability – principles which also inform wider governance objectives. Thus, the starting point for the development of social protection systems is institution building. Since institutional weaknesses limit social protection options, institutional cultures have to begin to reinforce efficiency and good service. Incentives are needed for good programme administration, including transparent budget processes, so that recipients understand how much they can expect and governments can track the disbursement of funds.

There is also a need for changes in institutions such as those protecting property rights, and enforcing the rule of law and the accountability of governments. Reforms in the international financial institutions are also needed to support the development of approaches that are appropriate for each country. Involvement not just of small elites but also the broad range of civil society, academia, business, labour and others is needed. The management of social protection requires government to play a central role as regulator and catalyst. Management at national level also requires different parts of government to work together, in turn reinforcing open and collaborative practice in the delivery of public policy.

However, inadequately funded or poorly designed public programmes can have negative governance impacts. For example, the determination of beneficiaries often becomes a political process; sectors of older people may be discriminated against in terms of who receives pensions. Governments may also feel the need to correct past errors by reducing benefits, as in the case of the transition countries. Rolling back the idea that people have acquired inviolable rights to benefits has led to approaches which hide benefit cuts, and, as these become more obvious, there will be debate on whether such cuts are politically acceptable.

More study is needed on the importance of informal social protection measures in reinforcing social capital. Informal institutions such as local burial funds and mutual-aid societies built on faith organisations in Africa and elsewhere emphasise the solidarity and community-building aspects of social protection. Such templates can be built on, to extend coverage and impact.

More evidence is needed on the impact of ageing in developing countries

The absence of data on older people in the developing world was another key theme throughout the seminar. There are critical shortages in developing countries of information and research that affects the ability of government to make informed decisions. One of the major impediments to effective implementation of poverty-reduction strategies for older people is the lack of age-sensitive data, leading to severely compromised policy analysis. Intra-household survey data could be drawn on for information about the lives of poor people, and about older people within the household.

Since a lot of data is collected through national censuses, it quickly becomes outdated and needs verification through surveys reviewing specific issues such as intergenerational transfers, caring, health status and economic status. Research into age-related issues would generate a significant increase in knowledge. It is also important to synthesise research results, seeking to identify what is generalisable knowledge as opposed to what William Hsiao referred to as 'just outliers or accidents of history'.

It was recognised that good data collection is time-consuming and costly, and that the subject of ageing has not had the attention it needs. The collection and analysis of data on social protection mechanisms is one area of particular need. Multidisciplinary research would facilitate understanding of older populations across national boundaries. It is crucial that data should be comparable across a wide range of countries. It is important for funding agencies to facilitate the harmonisation of data, and this is an area of key contribution for donors in the future.

'We have seen countries that have real political will make tremendous strides in providing benefits to poorer citizens.'

Dalmer Hoskins
International Social Security Association

'Old age is a very good way of targeting benefit. South Africa has an old-age pension targeted on the very old, particularly women. This is a benefit that empowers the older woman and through her the rest of the family.'

Nicholas Barr
London School of Economics

Five questions for further discussion

1. Can the provision of universal social protection be a vital element of the package required to deliver on the MDGs?
Older populations are routinely among the poorest of the poor. The social development objectives of social protection make a compelling case for universal provision of social protection. The poverty of older people and their families can be tackled with social protection packages which in turn will support their inclusion in programmes related to the achievement of the Millennium Development Goals and related global targets. Should development financing, including poverty-reduction mechanisms, include an increased commitment to guaranteeing universally accessible social protection in the developing world?

2. How much is political will the key to reducing poverty of older persons?
The political will to include all of the poor, including older persons, in the international framework to deliver poverty reduction and human rights for all could be expressed through establishing and financing universal social protection measures. How much more political and institutional will is required to deliver the internationally agreed framework on development? Can this commitment be effectively demonstrated by including older populations within the development and human rights agendas, as necessary to achieve global and national development targets?

3. Is social protection well-targeted development aid?
Universally provided social protection through a combination of flat-rate income and health benefits for older populations is fiscally possible for developing countries. Is it an efficient way of targeting the poor, especially women, with development assistance?

4. Could old age be a well-chosen universal indicator for targeted anti-poverty programmes?
Social protection and anti-poverty programmes that depend on complex, cumbersome and expensive administrative and eligibility systems will not deliver to the intended beneficiaries. Essential protection mechanisms, such as income and health, need to be delivered at the local level, as close to the people as possible. Means-testing to target benefits at the poor is expensive, inefficient and creates stigma; adopting well-chosen universally applied indicators, such as old age, is already a proven strategy for targeting benefits related to poverty-reduction, especially to women.

5. What are the policy options for developing countries to enable them to implement social protection systems that will reduce poverty and inequality?
The design of social protection systems for older persons needs to be tailored to the circumstances specific to a country. There is no one policy that is appropriate for all countries. The hitherto widespread view that developing countries should have a fundamentally privatised system with individualised accounts does not hold for all countries, given their multiple development needs and demographic transitions. On the contrary there is emerging evidence that public and fully funded systems of social insurance and protection are sometimes more able to deliver on the social development objectives of protection.

References

1. UN Population Division
World population prospects: the 2002 revision
New York, United Nations Population Division, 2002

2. HelpAge International
State of the world's older people 2002
London, HelpAge International, pp. 4, 19–23

3. UN Population Division
World population prospects: the 2002 revision
New York, United Nations Population Division, 2002

4. Dr J Michael Orszag et al.
(Network Democracy Social Security Briefing Book White House Conference)
Individual accounts: lessons from the UK experience
http://www.network-democracy.org/social-security/bb/whc/orszag.html (March 2003)

5. World Bank
Voices of the poor, can anyone hear us?
New York, published for the World Bank, Oxford University Press, 2000

6. UN General Assembly
Implementation of the UN Millennium Declaration
(Secretary general's follow up report), New York, UN General Assembly, 2002
http://www.un.org/millenniumgoals/index.html (April 2003)

7. International Monetary Fund
http://www.imf.org/external/pubs/ft/exrp/govern/govern.pdf (April 2003)

8. World Bank
http://www.worldbank.org/sp (April 2003)

9 and 10. HelpAge International
Population ageing and development: strategies for social protection
Background paper to the seminar, HelpAge International, London, 2002
p.3, photocopied

11. Amartya Sen
Development as freedom
New York, Random House, 2000

‘No subject… is of greater… importance than the ageing of the population and the providing of protection for this important population. It affects the very nature of our societies and… all aspects of society.’

Joseph Stiglitz *Initiative for Policy Dialogue*

Population ageing will have as profound an impact on the developing world in the 21st century as it had on developed countries during the past hundred years. To meet the challenges of this ageing world, new thinking will be needed – above all, on ways to link strategies that protect expanding older populations with strategies promoting development.

This seminar on ‘Population Ageing and Development – New Strategies for Social Protection’, held in Washington DC on 31 October 2002, brought together academics, policy makers and practitioners from a wide variety of backgrounds to consider some of the key questions posed by this context:

- *How should the development debate be reframed in the context of ageing in the developing world?*
- *What should development policies focus on in the new demographic order?*
- *How can policies on social protection and strategies for poverty reduction be more effectively integrated?*
- *Should the focus on support for older people in the developing world be widened beyond pensions and social security reform?*
- *How do overall economic and fiscal circumstances frame the construction of social protection issues?*
- *How can poverty reduction and social integration be made more central to economic and fiscal policy making?*

Population Ageing and Development – New Strategies for Social Protection

HelpAge International
PO Box 32832
London N1 9ZN, UK

Tel: +44 20 7278 7778
Fax: +44 20 7713 7993

Email: hai@helpage.org
Web: www.helpage.org

ISBN: 1 872590 13 6

Design by TRUE www.truedesign.co.uk **Print by Palmers Print** Tel: 01279 439023

HelpAge International

Leading global action on ageing