

# *The feasibility of a universal pension in Belize*



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**HelpAge International helps older people claim their rights, challenge discrimination and overcome poverty, so that they can lead dignified, secure, active and healthy lives.**

## **Acknowledgments**

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## **The feasibility of a universal pension in Belize**

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*HelpAge International  
PO Box 32832  
London N1 9ZN, UK  
Tel: +44 (0)20 7278 7778  
Fax: +44 (0)20 7713 7993  
hai@helpage.org  
www.helpage.org*

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## Acronyms

<b>CCT</b>	Conditional cash transfer
<b>CPA</b>	Country Poverty Assessment
<b>GST</b>	General Sales Tax
<b>IDB</b>	Inter-American Development Bank
<b>IMF</b>	International Monetary Fund
<b>LSMS</b>	Living Standards Measurement Survey
<b>MHDST</b>	Ministry of Human Development and Social Transformation
<b>MTDS</b>	Medium Term Development Strategy
<b>NCA</b>	National Council on Ageing
<b>NCP</b>	Non-Contributory Pension
<b>SIB</b>	Statistical Institute of Belize
<b>SSB</b>	Social Security Board of Belize
<b>SSC</b>	Social Security Card

## Executive summary

**The population of Belize is rapidly ageing and the proportion of older people is set to double in the next thirty years.** At the same time, poverty rates in Belize have been increasing, including for older people. Between 2002 and 2009 the proportion of Belizeans living in poverty rose from 34 to 41 per cent. **The rise in poverty jeopardises Belize's chances of achieving the Millennium Development Goal of halving poverty by 2015.** The rate is also the highest of any country in the English-speaking Caribbean. As a result the government has made a strong commitment to reverse the trend.

**With an ageing population, a key challenge for government is to assure a secure income for older citizens. Steps to achieve security in old age will also contribute reducing poverty across the board.** The Belize government has acknowledged this through the introduction of the Non-Contributory Pension (NCP) for women over 65 in 2003 and its extension to older men over 67 in 2007.

Nevertheless, due to the means test, coverage of the NCP remains low and many of the poor miss out. This study contributes to the debate by considering the feasibility of implementing a universal pension, which would guarantee that all Belizeans receive a minimum regular income in their old age.

## Situation of older people

**Higher life expectancy and lower fertility rates mean that older people are making up an increasing share of the population.** The population over 60 makes up 7 per cent of the population in Belize today and by 2040 this is expected to more than double to 18 per cent. In order to adjust to this change, it is important to understand the experiences of older people in Belize.

**Ageing is associated with greater health problems.** The vast majority of older people (77 per cent) say that they face some kind of health problem, while a large portion also consider themselves disabled, or have sight problems and limited mobility. Over half of older people need to buy medicine regularly, usually amounting to more than BZ\$25 per month.

In spite of these challenges, **older people continue to play an important role in their families and the economy.** Over a quarter of older people have either some kind of employment or earn money from informal work such as selling produce or cleaning a neighbour's yard. Forty per cent of older people contribute actively to their families either in cooking, baby minding, cleaning or gardening.

In most cases, the relationship between older people and their families appears to be mutually supportive. Most older people say that they contribute to their families and even more say they would like to increase this contribution. On the reverse side, 41 per cent of older people say they receive money from their families.

While the poverty rate of individual older people is lower than some other age groups **households containing an older person are poorer than average.** This is especially the case for the "older old". The poverty rate of people in households including an older person over 70 is 47 per cent compared to the national level of 41 per cent. Poverty rates are even higher in households with both older people and children.

**This suggests that reaching older people is a good way to reach some of the poorest households.** The number of people potentially reached would also be significant; for example, 22 per cent of the population live in a household where there is someone over the age of 60.

## Existing social protection for older people

**Belize's social insurance scheme, run through the Social Security Board (SSB), appears to be well managed, but its coverage of older people remains low.** Only 14 per cent of people over 65 receive a regular retirement pension from this scheme, and few of these are women. High levels of poverty and informality in Belize mean that it is unreasonable to expect a significant extension of these contributory pensions in the near future.

The NCP has been successful at significantly extending coverage, particularly for women. Over 40 per cent of women over 65 currently receive a pension, but this figure would be less than 10 per cent if it were not for the NCP.

**The regular income from the NCP makes a significant difference to the households that receive it.** If the NCP were removed, one tenth of households receiving it would fall below the poverty line, while the national poverty rate would increase slightly. Although it is clear that the current level the NCP is still relatively modest, it provides an invaluable support to older people and their families.

Nevertheless, **over half of older people still receive no pension and many of the poorest older people do not receive the NCP.** While a larger proportion of the NCP goes to the poor than the rich, targeting is far from perfect. It is estimated that at least half of the poorest age-eligible older people do not receive the NCP, while many better-off older people do.

## The case for a universal pension

Universal non-contributory pensions – where all older people over a specified age receive a minimum pension – are becoming increasingly popular around the world. A range of countries with different social, economic and political contexts have put them in place as a pragmatic and effective response to tackling the vulnerability of older people and their families. These countries include a number from Latin America and the Caribbean including Barbados, Mexico, Panama and Bolivia.

In light of the low coverage of contributory pensions, **a universal pension provides the best option for extending pension coverage in the near future.** A universal pension would provide a foundation for the Belize pension system and would avoid any potential disincentives to save for old age.

The simple and transparent eligibility criteria of a universal pension would also mean it **would be effective at reaching the very poorest older people**, which the NCP has struggled to do. Universal pensions have been able to reach 100 per cent of the eligible group which means 100 per cent of the poorest older people.

Moreover, a universal pension would form a strong component of a wider social protection system supporting human development. Pensions have been shown to be effective at reaching some of the most vulnerable children, impacting on outcomes such as school attendance. They can also have positive impacts on local economic development and helping households to deal with regular natural disasters – such as hurricanes.

Poverty analysis shows that **a universal pension could significantly reduce the poverty of households with older people, and reduce the national poverty rate.** Depending on the scenario, a universal pension could move over a third of poor households with older people (65+) above the poverty line. **It could also take Belize over a third of the way to reducing the poverty rate back to the level of 2002.**

**A conditional cash transfer (CCT) is not an alternative to a universal pension.** A successful social protection system will demand a range of complementary approaches to deal with different vulnerabilities. A CCT cannot adequately deal with the vulnerabilities associated with old age. The poverty-targeted approach of a CCT will also encounter the same challenges as the current NCP in reaching the poorest households.

## Affordability and financing

**The cost of a universal pension would be modest relative to the impacts.** A pension of BZ\$100 per month for everyone over 70 would cost 0.54 per cent of GDP, while a more generous benefit of BZ\$160 to everyone over 60 would cost 1.73 per cent of GDP. Even the higher cost would make up less than 7 per cent of government revenue, and would be about the same cost as the current pension for public service employees, which only reaches one in 13 older people over the age of 65.

**Over time, assuming economic growth in line with the previous 20 years, the cost of a universal pension could be kept stable.** Such a pension would keep pace with price inflation, so that it would not decrease in value over time.

In considering whether this is affordable, **a key question is whether Belize can afford *not* to invest in a universal pension.** If the government is committed to cutting poverty to the level of 2002 social protection will likely need to be a key part of this process, and a universal pension has a number of benefits as a policy option. A universal pension will have an effect on households from the first payment. Meanwhile, the impact of social pensions on areas such as schooling and the economy means it will complement other efforts to cut poverty. In spite of the need for the government to cut the budget deficit, the International Monetary Fund (IMF) has signalled that future growth in Belize depends on a reallocation of funds to social priorities, and that balancing the budget must be done “while providing space for priority social spending”.

**There are a number of potential financing options for a universal pension.** The IMF has suggested that fiscal space could be created by increasing General Sales Tax (GST) and reforming public service salaries and pensions. It is clear that in the long-term, funding for the universal pension should move away from the SSB, which currently funds the NCP. Nevertheless, continuing to finance some of the current beneficiaries from the SSB may provide a useful stopgap while gradually increasing government spending on a universal pension.

## Implementation

**Implementing a universal pension will be simpler than the current NCP as it will remove the need for the means test.** Nevertheless, the extension of the scheme may be an opportunity to further improve some areas of implementation. These include the consideration of more effective death registration and a greater range of alternative methods of payment.

The implementation of a universal pension funded by general government revenue may raise the question of institutional responsibility. Management of the universal pension could remain with SSB, or move to either the Ministry of Human Development and Social Transformation (MHDST) or the Ministry of Finance. There are potential benefits of all three options. Meanwhile, it is essential that organisations such as HelpAge Belize, VOICE and the National Council on Ageing (NCA) remain active in supporting and monitoring the implementation of a universal pension, as they have with the NCP.

## Conclusions and recommendations

Belize is facing an ageing population combined with rising poverty across the board. A universal pension would be an effective way to address both of these issues. It would form a solid foundation to long-term social protection in Belize, and would have immediate impacts on poverty as soon as it is introduced. It is also likely to be a popular signal of the government’s commitment to reduce poverty while taking necessary measures to increase revenue and reduce spending.

**This report recommends the introduction of a universal pension as a way of tackling family poverty in Belize, and preparing for an ageing population.** The authors suggest three potential options for doing this, ranging from the lowest cost, to the greatest impact.

They provide a variety of scenarios that could be implemented depending on fiscal constraints.

- **Option 1: A universal pension for all Belizeans over the age of 70.** This would be a low-cost way for Belize to begin expanding a universal pension in the country, at BZ\$14.9 million (0.5 per cent of GDP) or less than 2 per cent of government revenue. For lower ages the current model of the NCP could continue until it is possible to extend the system further.
- **Option 2: A universal pension for women over 65 and men over 67 years.** This would provide the simplest option for expansion and would only entail removing the means test from the current NCP. Assuming that the benefit level remained at BZ\$100, the cost would only be marginally more than Option 1, at BZ\$21.9 million (0.8 per cent of GDP).
- **Option 3: A universal pension with a higher benefit, and lower age eligibility.** At a level of BZ\$160 per month for everyone over the age of 60, the universal pension would have significant impacts on poverty, going a significant way to reversing the upward trend over the last decade. The costs would remain relatively low at BZ\$49.6 million (1.7 per cent of GDP) and 6.5 per cent of government revenue.



## Introduction

As in many other middle-income countries, the population of Belize is rapidly ageing. In 30 years time the proportion of the population over 60 will have more than doubled. While this is a cause for celebration, it highlights the need for policy to address the vulnerabilities associated with old age.

Having a secure income is one of the most fundamental concerns as people age, a fact that is reflected through the words of older people across the globe. In a country like Belize, where levels of poverty and informal employment are high, non-contributory or “social” pensions will be an essential part of the pension system. Belize has already acknowledged this through the introduction of the Non-Contributory Pension (NCP), introduced in 2003, which aims to reach older men and women who are most in need.

Yet the majority of older people in Belize still appear to be without a pension, including some of the poorest. There is thus a need to review the current system, and how it could be extended to cover all older people in need of support.

There have been growing calls for the extension of the NCP to all older people over an agreed age, in order to create a minimum base of support that all Belizeans can depend on when they get older. This model of a “universal pension” is becoming increasingly popular across the globe, especially in a number of developing countries including Bolivia, Mexico, Namibia, Nepal, Panama and Thailand, which have put them in place in recent years. Universal pensions (and their variations) have been found to have significant impacts on the wellbeing of older people, but equally on the welfare of some of the poorest and most vulnerable families.

Indeed, pensions fit into a far broader question of how developing countries can provide social protection to reduce poverty and help families deal with the risks they face throughout their lives. In recent years there has been growing discussion internationally on the role of social protection in developing countries as a way to support economic growth and make sure that its benefits reach the poorest in society. In some of the world’s most successful rising economies, such as Brazil and South Africa, social protection has been a key component of successful development.

The situation in Belize is particularly urgent. According to the recent Country Poverty Assessment (CPA) the last ten years have seen a rise in the poverty rate from 34 to 41 per cent, including for older people.<sup>1</sup> This means that Belize has the highest poverty rate of any other country in the English-speaking Caribbean.<sup>2</sup> These figures show that the country is currently moving in the opposite direction from Millennium Development Goal 1 to halve poverty by 2015.

As a result, the government has committed to reduce poverty through its *Medium Term Development Strategy 2010-2013* (MTDS). One of the five pillars of the strategy is human development, of which social protection is a component.

The strategy admits that “Belize’s social safety net is still not a comprehensive”. Nevertheless, current plans to extend social protection appear so far to be limited to the introduction of a poverty-targeted conditional cash transfer. A key question is therefore whether Belize could build on the existing NCP to build a more robust foundation for a comprehensive social protection floor.

This study assesses the feasibility of putting in place a universal pension in Belize. The report is structured into five sections. Section one looks at the situation of older people in

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1. National Human Development Advisory Committee, *2009 Country Poverty Assessment: Volume 1*. The poverty rate of older people increased from 27 per cent to 34 per cent between 2002 and 2009.

2. According to the latest poverty analysis in other Caribbean countries, the closest country to Belize in terms of poverty rates is Grenada at 37.7 per cent. The majority of other countries in this group have poverty rates of around 30 per cent or lower, including St Vincent and the Grenadines (30.2 per cent) and Dominica (28.8 per cent). See Caribbean Development Bank, *Biennial Social Development Report – 2010*, as well as the Country Poverty Assessments for the three countries listed in the references.

Belize today in terms of demographics, health, work and poverty. Section two considers the adequacy of the existing social security system, assessing coverage and, in particular, the effectiveness of the NCP in reaching the poorest older people. Following on from this analysis, section three outlines the rationale for a universal pension in Belize, both in terms of the pension system, and the impacts it would have on reducing the poverty of older people, their families and Belizean society as a whole. Section four then assesses the affordability of a universal pension, and section five considers key issues to take into account in implementation.

The report draws on a range of evidence from Belize and, in particular, analysis of the 2009 Living Standards Measurement Survey (LSMS); the Situational Analysis of Older Persons in Belize commissioned by the National Council on Ageing (NCA); and data from the Social Security Board (SSB). It also draws on interviews conducted with key stakeholders on a study visit in August 2010.

# 1 Situation of older people in Belize

## Summary

- The population of Belize is ageing. In the next 30 years the population over 60 will more than double to 18 per cent of the total population.
- Older people in Belize face significant challenges to their health. Over three quarters report some kind of health problem and health expenditure is significant.
- It is estimated that over a quarter of older people in Belize are working, although most work in the informal sector. Meanwhile, many more contribute to their households through caring and housework.
- People living in households with older people are more likely to be in poverty. This is particularly the case for households with older people and children.

## 1.1 Demographics

Belize has a demographic profile similar to many other countries at the same level of economic development. Historically, the population has been predominantly made up of children and younger adults, with a relatively small older population. In recent years, however, this has started to shift. On one hand, fertility rates in Belize have halved since the 1970s from over 6 children per woman to 2.8 in 2008.<sup>3</sup> People are also living longer. The United Nations Population Division estimates that life expectancy at birth has risen from 58 years in 1950 to 76 years today.<sup>4</sup>

The result is that the Belizean population is ageing. Table 1 shows the current population of older people over 60 years as 23,800, or 7.1 per cent of the total population. Seen from another perspective, this means that just over one quarter of households in Belize contain an older person.<sup>5</sup>

**Table 1. Proportion of older people by age group in 2009**

Age Group	Population	Share of total population
60+	23,800	7.14%
65+	17,000	5.10%
70+	11,500	3.45%
<b>Total</b>	<b>333,200</b>	<b>100.00%</b>

Source: SIB, *Belize Mid-Year Population by Age Group and Sex, 2009*

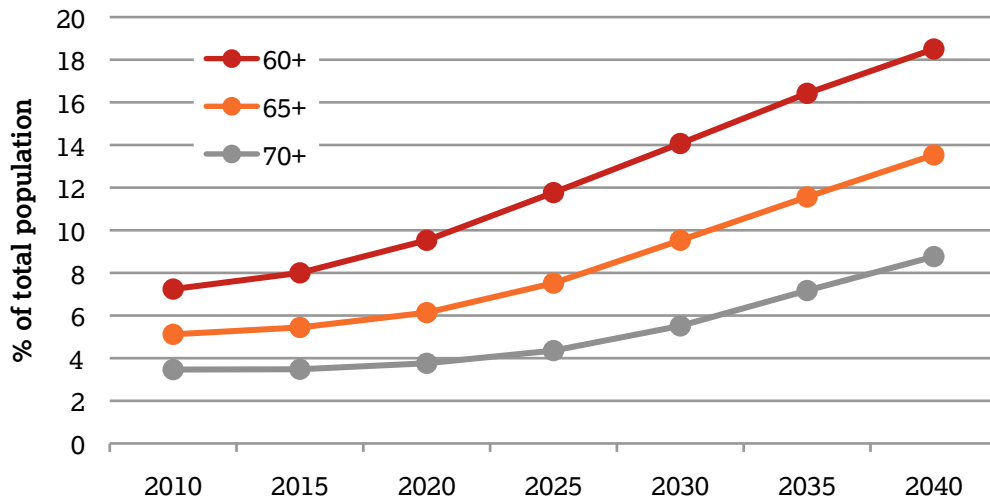
This trend is set to continue. The United Nations Population Division compiles population projections into the future decades. When the trends are applied to the above data from sources in Belize it is possible to see how the size of the older population will change. Figure 1 shows the future prospects. By 2040, we can expect to see the proportion of people over 60 in Belize to more than double to over 18 per cent of the total population. Similar rises can be expected to take place in the older age groups, for example, the population over 70 will rise from 3.5 per cent of the population to just under 9 per cent in 2040.

3. UN Population Division, *World Population Prospects*; Statistical Institute of Belize (SIB), *Abstract of Statistics 2009 (2010)*

4. UN Population Division *World Population Prospects*

5. Based on calculations using LSMS

**Figure 1. Proportion of older people in Belize by age group, 2010-2040**



## 1.2 Health and physical wellbeing

The ageing of the population in Belize is, on one hand, something to celebrate. It signals that people are living longer, while the pressures that encourage high fertility – such as infant mortality – are reducing. Nevertheless, as populations age it is important for societies to recognise the characteristics of ageing.

The most obvious feature of ageing is the fact that, as people get older, they become less physically strong and encounter increased health problems. This process is not always predictable, and affects different individuals in different ways; nevertheless, some trends can be identified in Belize.

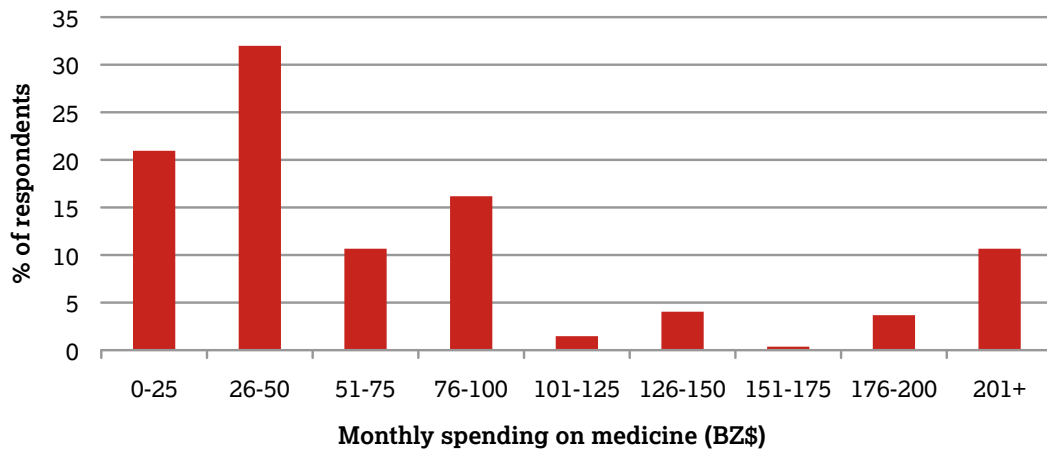
The recent Situational Analysis of Older Persons in Belize (2010) commissioned by the National Council on Ageing (NCA) gives an important insight into the lives of older people. The study surveyed over 450 older people over the age of 60 across Belize with a mix of gender, age and location. The survey was undertaken between November 2009 and May 2010. It is worth noting that the study surveyed more older people over the age of 70 than in the 60-69 age range. This means it is perhaps more representative of the slightly older old than those in the younger age brackets.

In terms of physical health, just under a quarter of older people surveyed (25 per cent) described themselves as disabled. Interestingly an even greater proportion said they were visually impaired or had limited mobility (38 per cent and 33 per cent respectively) even if they did not class this as a form of “disability”.

The survey also found that over three quarters of older people (77 per cent) reported some kind of medical problem, although a significantly smaller number would describe their health as “poor” (32 per cent).

One of the clearest lessons from the study was the impact of these health issues on the budgets of older people. Most older people surveyed (52 per cent) use some form of medicine every day, and nearly two thirds of these do not get medicine free of cost. Over half of respondents declared some monthly expenditure on medicine, and Figure 2 shows the amounts these people tended to spend. In total, nearly 80 per cent spent over BZ\$25 per month. The situational analysis also asked respondents about their monthly income (although this was not answered by all respondents). Among those who responded (and declared health expenditure) more than half spent over a fifth of their income on health expenditure.

**Figure 2. Monthly expenditure of older people on medicine (of those who declared expenditure on medicine)**



These figures should be treated with some caution as the responses in the Situational Analysis are patchy in places. Nevertheless, they give a strong indication that older people spend a significant amount of any income they have on health expenditure. This situation is brought home by the testimony of Marino, in relation to the NCP.

I have been receiving the pension for a little over two years. The money is good but it's not nearly enough. I have gall stones and when I receive my money I go straight to the doctor. Sometimes after I have paid the doctor I am left with BZ\$7.00. If my medicine isn't too expensive, after I leave the doctor I can buy some food. I live with my wife and we have a daughter who helps us when she can.

**Marino. 81**

The picture is that health issues are a prominent concern of older people in Belize, and that many incur substantial costs for buying medicine.

### 1.3 Work and role in family and society

In spite of the health challenges which older people face, there are strong signs that most people in Belize remain active into their older age.

The situational analysis asked the question "Do you receive any income from employment?" to which 13 per cent of respondents answered that they did. At first glance, this might suggest that the vast majority of older people are inactive, but a closer analysis of the data shows that the situation is more complex. Respondents were asked if they received any other source of income, and these responses reveal that an additional 16 per cent of older people are doing what could be considered as informal work. This includes activities such as, among others:

- "sell crops like corn, beans etc"
- "my handicraft I sell"
- "by selling bread, journey cake and bun"
- "yard cleaning"
- "make coconut oil"
- "I work on furniture and sell them"

This indicates that while many older people do not see themselves as being in “employment” – probably understood as having a formal job – many are still working to earn some kind of income. We can therefore estimate that around a third of older people are involved in some form of employment.

What is clear is that much of this work is informal. While robust statistics do not exist on the labour force in Belize – let alone the older labour force – it is clear that a large proportion of the workforce is in the informal sector. If the situation in Belize reflects that in other developing countries, it is likely that work in old age is even more characterised by informality, as older people find it harder to compete in the labour force.<sup>6</sup>

In addition to the above, even more older people are contributing to their households in what could be classed as unpaid work. For example, 41 per cent of older people declared that they help their families either in cooking, baby minding, cleaning or gardening, with very few being paid for this work. Nearly half of the respondents also claimed that they were or had been a caregiver in the past. The implication of this is that around half of older people are active in supporting their families in-kind.

This form of support should not be underestimated. Child minding, for example, can be essential to facilitating younger generations to go out and work, meaning that the older person will be supporting the earning capacity of the family.

The testimony of Anna highlights some of the interactions of work in old age, and the role older people play in supporting their families.

I would work but I am old and no one wants to give me a job and it's worst that I am a widow and I have no one to take care of me. I am raising my granddaughter her parents gave her to me I want to send her to school but I don't know if I will be able to afford it.

**Anna, 79**

## **1.4 Poverty**

The evidence on health and work gives a picture that older people in Belize are generally active and contributing to their families, be it through some form of employment or in kind. Nevertheless, they also face significant challenges in terms of health and related expenses. A key question is what this mean for the income and wellbeing of older people. For example, are they left destitute and fending for themselves, or are they mainly supported financially by their families?

A good starting point is the testimony of older people themselves. The situational analysis asked older people a range of questions regarding income and the main impression is that what they have is insufficient to meet their needs. For example, 73 per cent of older people say their income is not adequate, with slightly fewer stating they worry about money, or that it does not cover bills. 76 per cent consider themselves to be poor.

In this context, 41 per cent of older people said that they received money from their family. When this is put in the context of the evidence above of older people supporting their families, what we can see is that for a large portion older people there is some kind of mutually supportive relationship of support between themselves and their families.

While this information gives some idea of how older people feel about their income, it is likely to be subjective and tells us little about how older people compare to the population as a whole. A useful tool for doing this is the Living Standards Measurement Survey (LSMS) of 2009 and the corresponding Country Poverty Assessment (CPA) published in 2010.

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6. Gorman M, A Livingstone, K Truelove and A Walker Bourne, *Forgotten workforce: older people and their right to decent work* (2010)

The CPA used the LSMS to measure levels of poverty across Belize and found the headline figure that 41 per cent of the population of Belize (31 per cent of households) live in poverty. The CPA also attempted to measure the poverty rate of individual older people and estimated that 34 per cent of older people live in poverty, which would seem to suggest that older people are actually less poor than the population as a whole.

Nevertheless, it is worth taking a step back from the analysis. Poverty in general is something which is notoriously difficult to measure with significant challenges including gathering accurate data and deciding which assumptions to use. Trying to estimate the poverty of individuals is especially challenging. Household budget surveys (like the LSMS) measure the income and expenditure of households. To estimate whether individuals are in poverty a number of assumptions have to be made about the different needs of household members (eg, a working adult needs more food than a young child).

Measuring the poverty of older people poses further challenges, especially in the developing world. First, measuring how many older people are in poverty is based on an assumption that income is shared fairly (and on the basis of need) throughout the household. International experience shows, however, that this is often far from the case. For example, it is common (and quite understandable) that a household with limited income would prioritise the needs of young children over an older person. Indeed, older people themselves often make this sacrifice. In such cases, an older person in a household which is not poor may actually be poorer than some other members.

Second, most measures of poverty use food as the basis for a poverty line. Additional “non-food” expenditure is then added on as a proportion of food expenditure. This is the case in the CPA analysis. Normally, the assumption is that older people consume less food than, for example, an adult male in his 20s. This is probably a fair assumption. However, when it comes to non-food expenditure, it could well be that older people have proportionally higher expenditure in some areas. Most analyses of poverty would not take account of this.

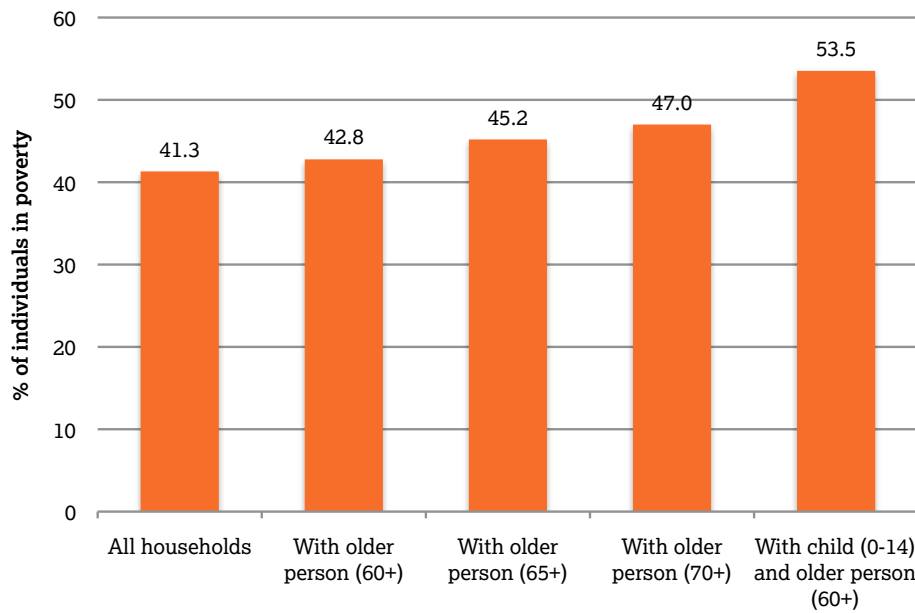
A good example of where older people may well spend more is on health expenditure, and this is a clear factor in Belize, as discussed above.

The problems associated with estimating the poverty of older people suggest that further analysis and interpretation is needed. Another angle is to consider poverty on a household, rather than individual level. Rather than asking “how many older people are poor?”, an alternative approach would be to consider “how poor are the people in households where there is an older person?”.

Figure 3 shows the poverty rates of people living in households with older people. The presence of an older person appears to make it more likely that a household will be poorer. While 41.3 per cent of the population as a whole are living in poverty, the rate is 45.2 for occupants of a household with an older person over 65. It is also interesting to note that the levels of poverty increase with older ages. The poverty rate of people living in a household with someone over 70 years old is 47 per cent.

Poverty rates are especially high for households that contain older people *and* children, and 53.5 per cent of people in these households live below the poverty line. Individuals living in such households make up 11 per cent of the population, not an insignificant proportion.

**Figure 3. Poverty rate by household composition<sup>7</sup>**



These results seem to contradict those for the poverty rate of older people. How can the poverty rate of older people be lower than average, but people living with older people are poorer than average? The reason is related to the correlation between poverty and household size, which is highlighted in the CPA. In Belize, as in many other developing countries, households with many members tend to be the poorest, for a wide variety of reasons.<sup>8</sup> The key trend in Belize is therefore that the poorest older people live in bigger households, so their poverty has a greater impact on those around them.

This trend also highlights another characteristic in Belize that households where older people live alone (or as an older couple) are less likely to be poor. The CPA highlights how the analysis “presents a paradoxical situation in that those living on their own are much less likely to be income poor but, intuitively, more likely to suffer from loneliness and, if their mobility is reduced, reduced access to services.” There are a range of other issues that may affect older people living alone. For example, if they are faced by a crisis they may be less likely to have access to family support than in a larger household.

The lesson from this is that older people face a wide range of vulnerabilities depending on the different contexts in which they live. The poorest older people appear to live as part of larger households, while the less poor face other forms of vulnerability in that they are more likely to live alone.

Meanwhile, the analysis demonstrates that ageing is not just something that affects one demographic group. The fact that the majority of older people live as part of wider households means that issues such as their health and their income will have a significant impact on their families. These issues will be far more acute in the poorest households where many older people live.

Finally, the fact that households with older people are poorer means that measures such as a non-contributory pension are likely to be an effective way to reach some of the households which are most likely to need financial support.

7. The poverty rate in this figure and in subsequent simulations refers to the General Poverty Line as described in the Country Poverty Assessment.

8. To some extent this may be due to the assumptions made in simulations.



## 2 The effectiveness of existing social protection schemes for older people

### Summary

- The NCP has been able to extend coverage and rebalance the system from one which mainly benefited men, to one which reaches both men and women.
- Despite this, most older people in Belize do not receive a pension.
- The NCP has made a real difference in reducing the poverty of recipient households.
- Nevertheless, targeting is far from accurate. Over half of the poorest older people miss out, while many better-off older people are included.

The evidence in the previous section demonstrates that the vulnerability associated with old age is real in Belize, and that this has implications for the households where older people are living. The Belize government has put in place various forms of social protection to tackle this increased vulnerability in old age. This section will assess how far these approaches have gone, and what gaps still exist.

### 2.1 Existing schemes and programmes

The longest-standing pillar of the social protection system in Belize is the social insurance scheme provided by the SSB. The scheme was introduced in 1981 and pays benefits to insured persons in periods such as invalidity, retirement, sickness, maternity and widowhood. To be insured the individual needs to be over the age of 14, and be regularly contributing to the SSB from their income. The employer is also expected to make contributions, unless an individual is self-employed.

To be eligible for a retirement pension the individual needs to have made 500 contributions, which corresponds to approximately 10 years of employment. The retirement pension is paid on a monthly basis, and the level is calculated in relation to the best three years of contributions made. The basic pension is \$47.00 per week rising to a maximum of \$192.00 per week (about BZ\$200 and BZ\$800 per month respectively). However, the maximum is paid to people that have been made contributions for 20-plus years. The average monthly pension in 2008 was BZ\$287 per month. Pensions can be claimed at the age of 65, or as early as 60 years if the individual can prove they are unemployed.<sup>9</sup>

If an individual has not paid sufficient contributions to claim the retirement pension, but has at least 26 paid contributions, they are eligible for the retirement grant. This is a one-off lump sum payment. This was paid to 270 people in 2008 with the average amount being BZ\$2,861.

The social security scheme run by the SSB is considered to be well-managed and, according to the Actuarial Review of 2009, it performed well financially.<sup>10</sup> Nevertheless, Belize, like other countries in the region, faces challenges of poverty and informality which mean many working people are unable to access the social security scheme. It was on this basis that the Non-Contributory Pension Program (NCP) was introduced in 2003, administered and funded by the SSB, with the aim of providing a minimum income for older persons with no other source of income. Initially, it was intended that the NCP be given universally to all women over the age of 65 years. However, this was subsequently limited to those considered to be most in need.

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9. Information is from Social Security Board (SSB), *Statistical Abstract 2009*, Belmopan, SSB, 2010 and consultations with stakeholders.

10. Pérez Montás H, *Actuarial Review of the Social Security Scheme, 2009, 2010*

In 2007, the NCP was extended to males over the age of 67, and the monthly benefit rose from BZ\$75 to BZ\$100 which it remains today. The full eligibility criteria as outlined on the SSB website<sup>11</sup> are:

- Be a female 65 years of age or a male 67 years of age or older
- Possess a valid Social Security Card (SCC)
- Have no source of income or inadequate means of support; and
- Be a permanent resident or citizen of Belize

To apply for the NCP an individual must fill out a three-page application form with 17 questions and submit it to a local Social Security branch office. The application is then assessed by the Non-Contributory Pension Committee, which meets once a month to evaluate applications. The Committee is made up of five people including representatives of the SSB, the Belize Council of Churches, the NCA and Ministry of Human Development and Social Transformation (MHDST). On occasion, an officer from the SSB will be sent to the home to verify details of the application. A “pensioner’s declaration” must be signed every six months by the recipients stating that they still reside in Belize and have no other source of income.

In addition to the social security scheme and the NCP, the government runs a social assistance programme through the Human Services Department of the MHDST. The programme pays BZ\$40 per month to beneficiary households or individuals identified as needy. The coverage is currently estimated to be 1,500 households, or 1.7 per cent of all households in Belize. In the last year or so, recipients are being asked to fulfil certain conditions relating to school attendance and health checks. This part of a move to put in place a broader conditional cash transfer scheme.<sup>12</sup>

## 2.2 Coverage

There is a significant amount of evidence in Belize on the coverage of pensions. The SSB publishes data on how many people receive different pensions by and age sex, which is summarised in Table 2.

**Table 2. Coverage of retirement pensions and Non-Contributory Pensions (NCP) from the Social Security Board (SSB)**

	Retirement pension	NCP	Total
<b>No. of recipients 60+</b>	3,090	4,297	7,387
<b>% of population 60+</b>	13%	18%	31%
<b>No. of recipients 65+</b>	2,313	4,297	6,610
<b>% of population 65+</b>	14%	25%	39%
<b>No. of recipients 70+</b>	1,415	3,670	5,085
<b>% of population 70+</b>	12%	32%	44%

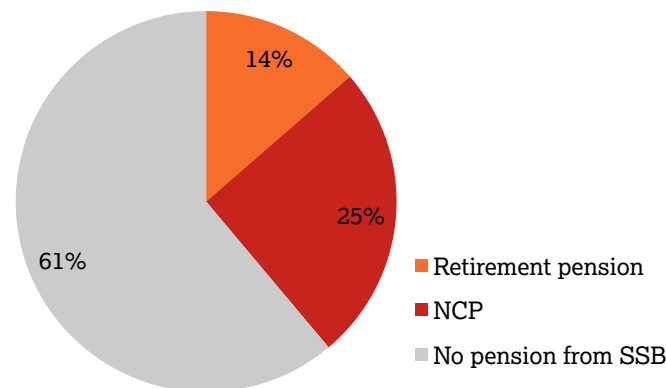
Source: SSB, *Statistical Abstract 2009*

11. Information from “NCP Pension” at <http://www.socialsecurity.org.bz/Benefits/LongTerm/NCPPension.aspx> (2 May 2011)

12. National Human Development Advisory Committee, Ministry of Economic Development, Commerce and Industry, and Consumer Protection (2010)

The data on pension coverage reveals two key lessons. First, the NCP has gone a significant way to increase the number of older people with a regular income. Figure 4 shows that the introduction of the NCP has increased that coverage of pensions significantly, meaning that around 40 per cent of people over 65 in Belize receive a pension from the SSB. Without the NCP, the SSB retirement pension would cover just 14 per cent of people over 65. Table 2 also indicates that, while coverage of the retirement pension decreases with age, coverage of the NCP increases. This suggests that it prioritises the “older” old.

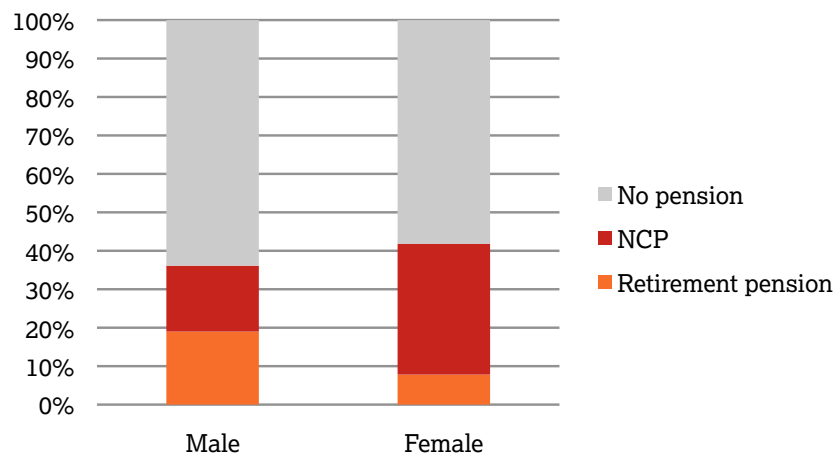
**Figure 4. Proportion of population over 65 receiving pensions from the Social Security Board (SSB)**



Source: Author’s calculations based on SSB, *Statistical Abstract 2009* and SIB, *Belize Mid-Year Population by Age Group and Sex, 2009*

Of particular interest is the gender dimension to distribution of the NCP. Figure 5 shows the coverage of pensions from the SSB by sex. In the absence of the NCP, the retirement pension would cover around one fifth of men over 65; however, the coverage of women would be less than half that, at 8 per cent. The NCP, on the other hand, goes primarily to women. The result is that the coverage of both kinds of pension is slightly higher for women than men, at 42 per cent and 36 per cent respectively – albeit the value of pensions received by women will be lower on average.

**Figure 5. Pensions received by older people over 65, by sex**



Source: Author’s calculations based on SSB, *Statistical Abstract 2009* and SIB, *Belize Mid-Year Population by Age Group and Sex, 2009*

In spite of these gains, the second lesson is that coverage of pensions still remains relatively low. The data omits the lump-sum retirement grant, however, it is questionable how much income security this one-off payment can provide. The average value of a retirement grant noted above is just BZ\$2,861.<sup>13</sup> Assuming that an individual divided this into monthly amounts of BZ\$100 (equal to the NCP) it would last less than two and a half years. After this time a recipient would be in the same situation as someone who had never received the grant. This situation is shown by the testimony of Maria below who is in need of support even though she received a lump sum. This is in spite of not being officially eligible for the NCP.

I have been receiving the NCP for a little less than a year. I use it to buy my personal things. My children can't support me as much as they would like, and they have their own family and expenses. I use to work but when I retired I found out I only had six years of Social Security payments and I had to settle for a lump sum. When I turned 65 I applied for the NCP but I was told I did not qualify. But last year my cousin told me to try again and I did, but I didn't think I was going to get it.

The money is good but I worry it's not enough. I have a pain in my leg right now and I am going to the doctor; and I might have to buy medicine if the hospital doesn't have any. If I did not receive this pension I would have to trust God and see how I would survive.

**Maria, 68**

Table 2 also does not include data on public service pensions; nevertheless, existing evidence suggests that coverage is small. While an average of 2,600 people claimed a public service pension on a monthly basis in 2010, this includes individuals from the age of 55 – the normal retirement age in Belize.<sup>14</sup> If we assume that recipients are distributed in line with the age demographics in the Belize, we can estimate that about 1,200 older people over the age of 65 receive a government pension. This would mean that just one in 13 older people over the age of 65 (7 per cent) receive a public service pension.

On this basis, it is reasonable to assume that most older people over the age of 65 do not receive a regular income for themselves. This reflects the picture from the Situational Analysis of Older People which found that 36 per cent of older people receive a pension. The number is slightly higher if other forms of benefits are included – probably social assistance benefits from MHDST – but is still below 50 per cent.

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13. Social Security Board (SSB), *Statistical Abstract 2009* (2010)

14. Information was provided by the Accountant General's office.

## 2.3 The NCP: impact and adequacy

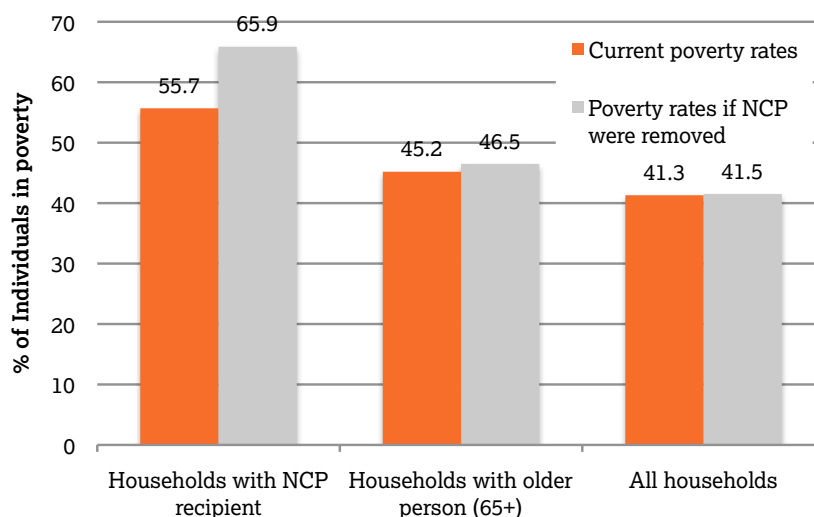
While coverage gives us some indication of the success of social security measures in Belize, it does not tell us about the adequacy of the pension income. In order to get a sense of the impact of the NCP, data from the LSMS 2009 was analysed.

In the survey, the question was asked as to whether a household was receiving the “Non-contributory pension for women (SSB)”. There are certain obvious limitations to this indicator – the survey was conducted in 2009 by which time men over 67 could also apply for the NCP, but the question refers only to women. This may have caused confusion for some households, with the result that some did not affirm they were receiving the NCP.

The results seem to indicate that receipt of the NCP was under-reported. Of the households containing either a man 67+ or a woman 65+, around 14 per cent declared that they received the NCP. This equates to around 11 per cent of the population over the eligibility age.<sup>15</sup> These figures are somewhat at odds with the figures above from the SSB suggesting around 25 per cent of men and women over 65 receive the NCP. We can therefore conclude that around half of those questioned in the LSMS who receive the NCP did not report it.

Despite this under-reporting, the scale of the NCP’s impact can still be estimated. Figure 6 shows the results of a simulation of the impact on poverty in Belize if the NCP were to be removed from the households that declared receipt. The simulations suggest that the benefits of the NCP for recipients are significant. The poverty rate of households receiving the NCP would increase by nearly 20 per cent (10 percentage points) if the NCP were to be removed. There would also be a tangible impact on the poverty rate of older people over 65 (which would increase by 1.3 percentage points). Meanwhile, there would be a small increase in the poverty rate of all households.

**Figure 6. Poverty rates without the Non-Contributory Pension**



Assuming that half of the NCP recipient households questioned in the LSMS did not report receiving the benefit, it could be estimated that the impact would be roughly double that which is shown in Figure 6.<sup>16</sup> This would suggest that, while the impact of the NCP on national poverty is modest, it is having a significant impact on those households that

15. The calculation assumed that only one person per household received the NCP

16. This is likely to be the case for households with an older person (65+) and all households, but may not be the case for NCP households (the magnitude of impact would likely remain similar).

receive it. This is reflected in the testimonies of older people, such as that of Bascilla below, Her testimony also supports the common perception that the vast majority of older people spend the money wisely.

I can't remember when I started getting the NCP, maybe about two years, but not more than that. I like to eat so I use the money to buy food; I don't buy clothes or makeup. I live with my husband – he is 72 and he can't work anymore. We both survive off my pension. We have a son but he likes to drink and we can't depend on him for anything. When I get my money I go to a Mennonite vendor, he gives us a better price on things like rice and chicken; this is how I make the money last. I am grateful that I am getting this money; without it we would starve.

**Bascilla, 70**

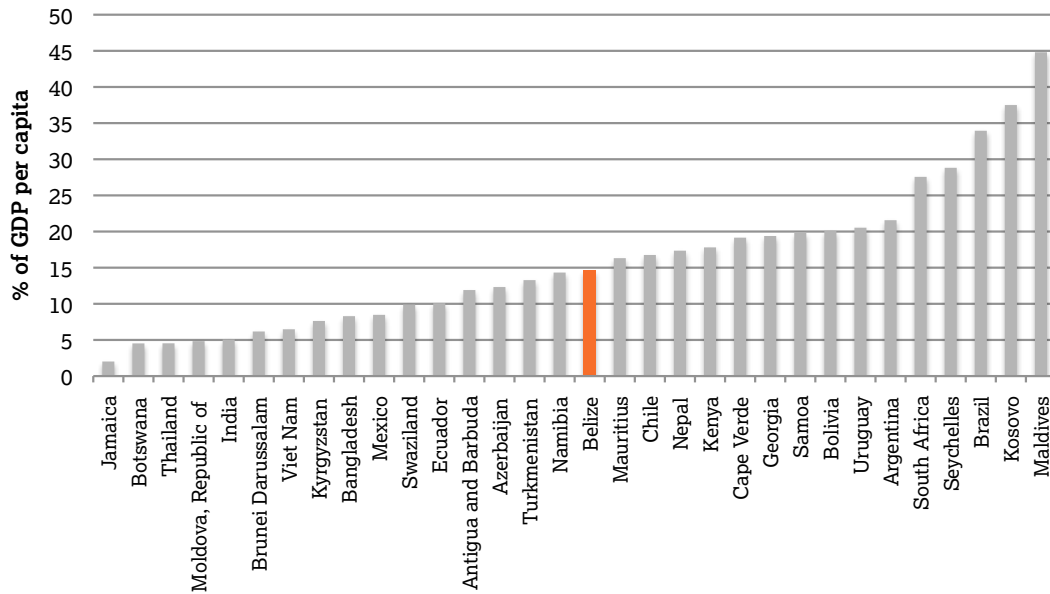
Despite the benefits, there is still an argument that the benefit level of the NCP is relatively low. Many recipients, like Mr. Pop in the box below, make the point that – while the money is invaluable – it is not enough to cover all of their needs. As with the case studies above, expenditure on food and medicine emerge as significant. One reason cited for the high cost of living is the fact that the BZ\$ is linked to the US\$.

I have been receiving the NCP for three years. My wife and I live alone but I am the only one receiving the benefit. All our money goes on food; we only buy medicine if we have to. The money isn't enough but we make it work. I plant a few things to make sure we always have something to eat; its hard work and I can't do as much as I used to but I try. I need this money – if I don't get it, my wife and I won't survive.

**Mr. Pop, 77**

Inevitably, while a higher benefit might be optimal, any decision to increase it needs to take account of the affordability of the NCP, which is discussed in more detail in Section 4. Nevertheless, a comparison with pension levels internationally can help put the NCP in perspective. The level of the NCP currently stands at BZ\$100, which is approximately 15 per cent of average income (GDP per capita). Figure 7 compares this to levels of other non-contributory pensions around the world relative to average income, revealing that the NCP level is somewhere in the middle: not as low as the benefits in Botswana and India, but not as high as those in Brazil and South Africa. The level of the NCP therefore seems reasonable for now, but there is scope for increasing it. The result of this would evidently be increased support for older people and their families.

**Figure 7. Pension levels relative to average income (GDP per capita) in countries with social pensions**



Source: HelpAge International, Pension-watch database

Perhaps of greater urgency is the fact that there is currently no standard for regularly increasing the value of the NCP in line with price inflation. Price inflation year on year can significantly affect the value of a pension. Indeed, since the introduction of the BZ\$100 benefit in 2007, inflation has eroded its value so that it is only worth 90 per cent of what it was three years ago.<sup>17</sup> This has significant implications for the impact of the NCP on the lives of recipients, and provides a strong case for introducing some formal indexing so that the NCP retains its real value.

## 2.4 Effectiveness of targeting the NCP

The NCP in its current form aims to reach those most in need. The eligibility criteria reflect this in that recipients should have “no source of income or inadequate means of support”. The NCP application form includes a number of questions regarding financial support, property and living conditions; nevertheless, it is unclear how the balance of factors determines eligibility. The decision as to whether an individual deserves a pension falls largely to the NCP committee.

Among older people there are significant questions as to the accuracy and fairness of the targeting. One observation is that investigators look more at material wealth than the ability to purchase food and medication. This is problematic for older people who may have saved hard over the years to build up assets such as a housing or a refrigerator, yet do not have a regular income to buy essential goods. In such cases, these material indicators are an inadequate reflection of poverty and vulnerability.

The claims from older people that the NCP does not effectively target the poorest are reflected through analysis of the LSMS. Figure 8 shows the distribution of households benefitting from the NCP when households with an age-eligible older person<sup>18</sup> are divided into quintiles of expenditure. Quintile one represents the poorest households with either an

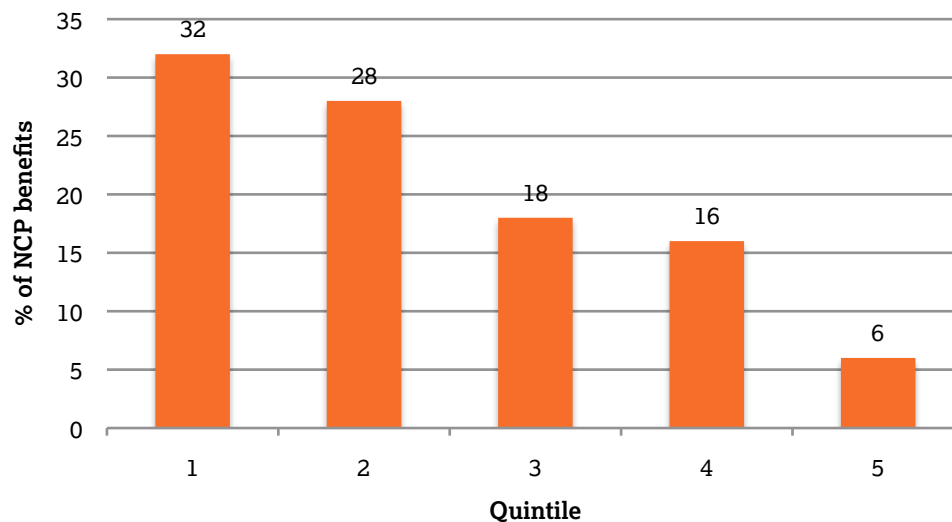
17. Authors’ calculations using data from International Monetary Fund (IMF), *World Economic Outlook Database*, October 2010

18. These are households with at least one woman 65 years or over, or a man 67 years or over.

older woman over 65 or an older man over 67 years (or both). Quintile five represents the richest fifth of these households.

Considering that around 25 per cent of people over 65 in Belize receive the NCP, we would expect a transfer which perfectly targeted the poorest older people would fall fully within quintiles 1 and 2, with the vast majority in the first. This is, however, far from the picture presented in the LSMS. In reality, less than a third of the NCP benefits goes to the poorest 20 per cent of households, while a total of forty per cent goes to the top three quintiles which should not receive anything in the case of perfect targeting.

**Figure 8. Distribution of NCP benefits by quintile of age-eligible households**



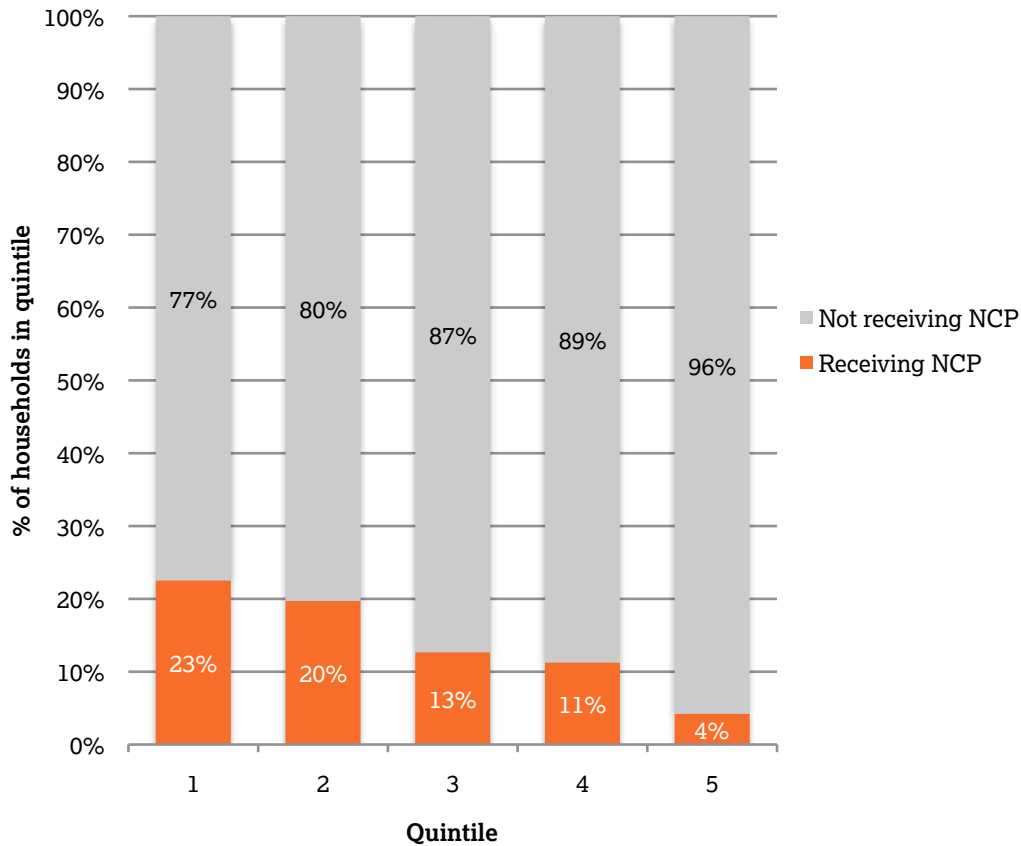
Another way to look at the accuracy of targeting is to ask to what extent the NCP *covers* the poorest older people. Figure 9 shows the proportion of each quintile of age-eligible households which receive the NCP, and which do not. The result shows that wealthier households (in quintiles 3, 4 and 5) are receiving the NCP despite the fact that large portions of the poorest households are not.

In light of the fact that receipt of the NCP was under-reported in the LSMS, we could expect the coverage of the NCP in each quintile of Figure 9 to be around double what is shown here. In spite of this, assuming that the receipt was equally distributed across the quintiles, still fewer than half of the poorest would be receiving the NCP.

The key lesson from this analysis is that, while the NCP goes more often to poorer households than richer ones, its targeting is far from accurate. At least half of the poorest older people miss out, while many less-poor pensioners receive the NCP.



**Figure 9. Coverage of NCP by quintile of age-eligible households**



These results suggest that the targeting of the NCP falls far short of its objective to identify those most in need. Nevertheless, when put in an international context this is unsurprising. Targeting the poorest or those most in need is notoriously challenging. Other means-tested social pensions show similar, if not worse, results in terms of targeting compared to the situation in Belize, as do other cash transfers. Indeed, even in a country like Chile which invested significantly in the targeting of its social pension, the majority of the poorest people missed out.<sup>19</sup>

In fact, while the performance is disappointing it is probably fairly good by international standards. This suggests that further investment in targeting is likely to yield limited results in reaching the poorest. Rather, a reconsideration of the relevance of poverty targeting is needed.

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19. Dutrey A P, *Successful targeting? Reporting efficiency and costs in targeted poverty alleviation programmes* (2007)

### 3 The case for a universal pension in Belize

#### Summary

- Universal social pensions are increasingly recognised as one of the most effective ways to address poverty in old age.
- In Belize, a universal pension would be the best way to close the existing coverage gap.
- A universal pension would significantly reduce the poverty of older people and the households that they live in.
- It would also make an important contribution to reducing the poverty of the population as a whole while potentially having an impact on other outcomes such as school enrolment and local economic development.
- A conditional cash transfer is not an alternative to a universal pension. It will also face many of the same challenges of poverty targeting experienced with the NCP.

The challenges outlined above are not just limited to Belize, but reflect those being faced by countries across the globe. International experience shows that the most effective way to tackle poverty and vulnerability in old age is through a universal non-contributory pension. A universal pension would be similar to the existing NCP, but eligibility would be limited to age and residence/citizenship. This would mean that every person in Belize reaching the defined age of eligibility would be guaranteed a minimum income.

Universal non-contributory pensions are becoming increasingly common internationally in both developed and developing countries. The first pension of this type to be implemented was the New Zealand “Superannuation” in 1940 and it continues to this day for everyone over 65 years old. In 1958, Mauritius became the first developing country to establish a universal pension, currently paying US\$93 per month to everyone over the age of 60. More recently, universal pensions have been established in countries as disparate as Botswana, Namibia, Nepal, Bolivia, Brunei and Kosovo. Table 3 gives an overview of some universal pensions currently in place, with a comparison to Belize.

Universal – or near universal – pensions are also becoming more popular in Central America and the Caribbean. Barbados and the Bahamas have had a non-contributory pension for all those with no other form of pension for a number of years (these are “pensions-tested” pensions, see 3.1). Most other Caribbean countries have some form of means-tested non-contributory pension similar to the NCP in Belize.

In Central America, Mexico introduced a universal pension for everyone over 70 living in Mexico City in 2001. This model was replicated in rural areas (settlements with less than 30,000 people) with the extension of the “70 y mas” (70 plus) scheme in 2009. The two pensions now cover 2.4 million older people. Meanwhile, Panama and El Salvador have adopted similar models. Since 2009, everyone over the age of 70 in Panama has been eligible for a monthly pension of US\$100.<sup>20</sup>

Non-contributory pensions, and particularly universal pensions, are therefore growing in popularity across the world and in the region. There are two key rationales for the introduction of a universal pension. The first is that universal pensions are effective in extending the coverage of pensions and provide a strong foundation for the wider pension system. The second is that a universal pension can be seen as a major step towards a broader social protection system in the country.

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20. HelpAge International, *Social pensions database*, Downloadable at <http://www.pension-watch.net/about-social-pensions/about-social-pensions/social-pensions-database/>

**Table 3. Universal pensions around the world**

Country	Year of introduction	Pension level				Age of eligibility	Cost (% of GDP)
		Local currency	US\$	% of GDP per capita	% of poverty line		
Bolivia	1996	200 Bolivianos	28	20%	196%	60	1.1%
Botswana	1996	166 Pulas	24	5%	133%	65	0.4%
Brunei	1984	250 Brunei \$	179	6%	677%	60	0.4%
Kiribati	2004	40 AU\$	39	28%	380%	70	0.7%
Kosovo	2002	50 Euro	74	38%		65	3.4%
Lesotho	2004	300 Maloti	40	64%	180%	70	1.4%
Mauritius	1950	3048 Rupee	95	16%	454%	60	2.0%
Namibia	1992	450 N\$	59	14%	207%	60	1.4%
Nepal	1995	500 Rupees	7	17%	46%	70*	0.2%
New Zealand	1940	1,239 NZ\$	869	35%	2058%	65	4.3%
Samoa		125 Tala	49	20%	246%	65	1.3%
South Africa	1994/6	1100 Rand	144	28%	602%	60	1.4%
Swaziland	2005	200 Emalangeni	27	10%	124%	60	
Thailand	2009	500 Baht	15	5%	79%	60	0.3%
Timor-Leste	2008	20 US\$	20	45%	262%	60	3.3%
Belize	2003	100 BZ\$	50	14.60%	248%	65/67	

*HelpAge International, Social pensions database*

*Note that not all of the pensions are purely universal. Lesotho, Nepal, Thailand and Swaziland exclude older people with some other forms of pension. South Africa has an “affluence test” which excludes people on high incomes.*

*The poverty line referred to is \$PPP 1.25 per day.*

### 3.1 The foundation for an effective pension system

Pensions are generally considered to have two main functions. The first is “**consumption-smoothing**”, in other words, the simple process of spending less money today, so that you have more in the future. This is something which individuals can do through private pensions or social insurance schemes. The second function of pensions is **poverty reduction** where governments provide a pension to older people who have not been able to save throughout their lives. In Belize, the SSB retirement pension corresponds to a form of individual consumption-smoothing, while the NCP performs the poverty reduction role.

Figure 10 gives a simplified visual picture of Belize’s current pension system. The figure aims to illustrate older people’s income from pensions. The horizontal axis shows older people from poorer to richer, while the vertical axis shows pension income. On the right hand side, those who are wealthier will have been able to save through the SSB pension, and a few will have other voluntary savings. On the left hand side the coverage is shown for the NCP.<sup>21</sup>

21. The NCP does not accurately reach the poorest older people, as noted above. Nevertheless, the diagram acts as a simplified representation of the pension system in Belize.

**Figure 10. The current pension system in Belize**

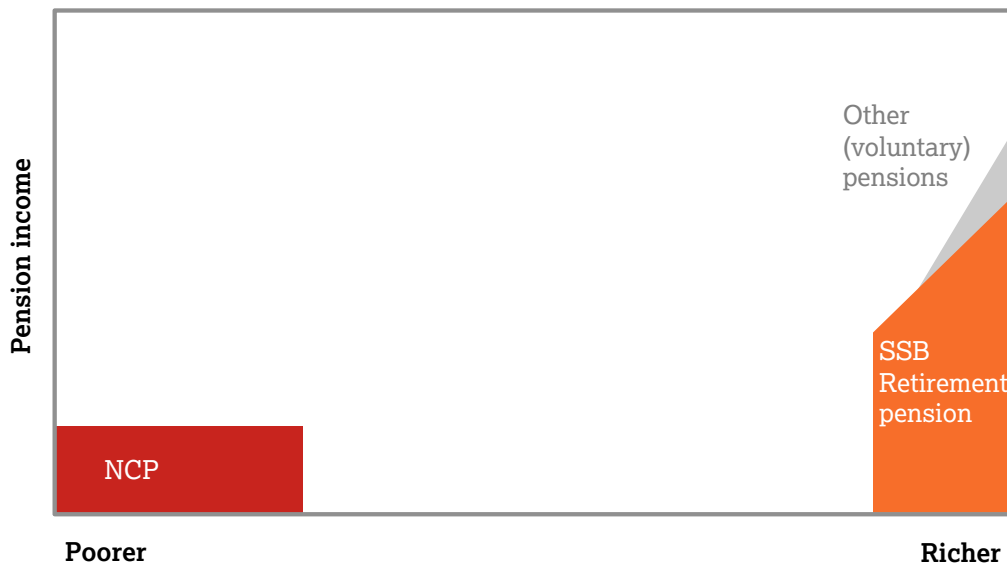


Figure 10 demonstrates the significant coverage gap in Belize between those who receive the NCP and those receiving the SSB retirement pension. The key question is, therefore, how this gap can be filled.

One suggestion might be to try and extend the SSB retirement pension. However, there are a number of limitations to this. While there may be some older people who could be included in this scheme, the extent of poverty and informality in Belize means that the vast majority will be unable to benefit in the near future. Indeed, it is worth noting that even countries richer than Belize struggle to significantly increase the coverage of social insurance schemes. Belize's neighbour Mexico, for example, has almost double the average income, but coverage of older people by contributory pensions is only marginally higher (23 per cent) than Belize (14 per cent).<sup>22</sup> In fact, even in the richest countries in the world still spend significant amounts of government revenue on pensions to keep people out of poverty.<sup>23</sup>

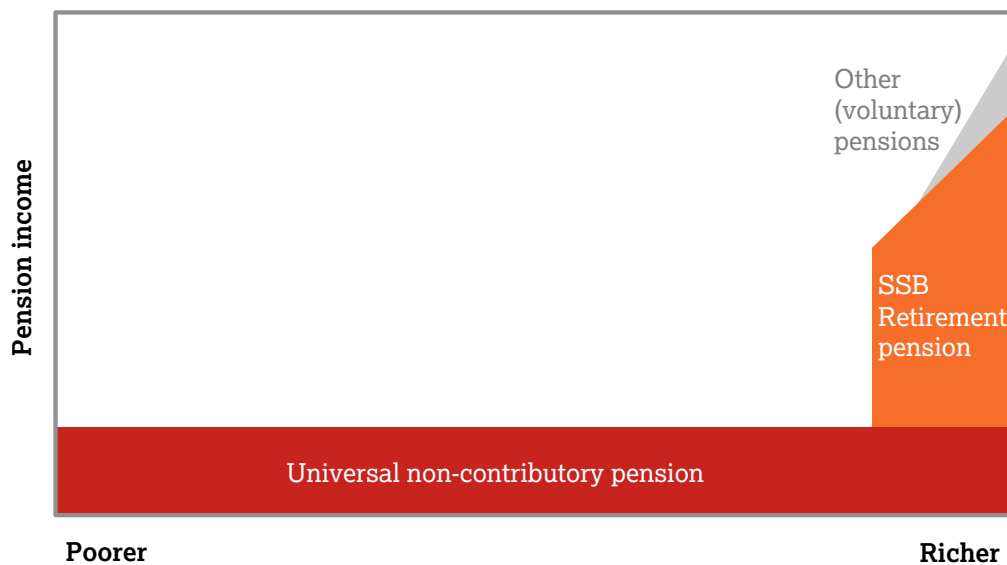
On this basis, the best option to extend coverage in Belize is through a non-contributory pension. The success of this approach has been demonstrated by the fact that, since 2003, the NCP has been able to double pension coverage in Belize. Nevertheless, as discussed above, the poverty targeting of the NCP has significant limitations. A universal pension would provide the simplest solution as its simple eligibility criteria avoid the challenges of targeting. Universal pensions have been able to reach 100 per cent of older people – and therefore all *poor* older people – in even very resource-poor settings.

Figure 10 shows how the Belizean pension system would look with a universal pension. The pension would go to every older person (defined by the eligibility age) regardless of other income. Any income from other pensions, such as the SSB retirement pension, would be additional to the universal pension.

22. Rofman R, L Lucchetti and G Ourens, *Pension Systems in Latin America: Concepts and Measurements of Coverage* (2008)

23. OECD, *Social Expenditure Database* at [www.oecd.org/els/social/expenditure](http://www.oecd.org/els/social/expenditure) (15 April 2011)

**Figure 11. A universal pension as part of the Belize pension system**



It could be asked why the pension should go to older people who receive other income – such as those receiving the SSB pension. There are a number of reasons why giving to everyone over a certain age is the most effective option.

First, as mentioned above, any attempt to put in place a means test will lead to some poorer people missing out. Second, targeting also has an impact on incentives. One simple alternative to means testing would be to exclude those with SSB retirement pensions. However, excluding these people would effectively create a tax on their savings, so that people who had saved hard throughout their lives would receive BZ\$100 less than everyone else. Considering that the minimum retirement pension from the SSB is only around BZ\$200, the benefits of being part of this scheme (and missing out on the NCP) may not be clear to many people.

This is likely to discourage other people from saving for their retirement. While this may have less effect on those who are employed in businesses (where saving is mandatory), it is likely to significantly reduce the potential to extend coverage of contributory pensions to self-employed people and the wider informal sector.

Another option being considered in some countries is what is called a “tapered” pensions test. The amount of non-contributory pension an individual receives is reduced incrementally the more other pension income as individual has. So, for every BZ\$5 of other pension income, the non-contributory pension might be reduced by BZ\$1. This approach seems to provide a promising alternative to a simple pensions test, but there is so far limited evidence on how different “tapering” designs impact on incentives to save. Such systems would also create greater administrative complexity for an organisation like the SSB.

The third reason for including better-off pensioners is political. Making a commitment to extend the NCP in Belize will require extra investment from national revenue. The better-off are likely to be contributing more – on average – to this revenue. Excluding them may therefore be perceived as unfair, and may create political resistance to the extension of the pension.

This appears to be a reason why – when viewed from an international perspective – benefits targeted only at the poorest tend to receive far less funding than those which work on a universal basis, covering all older people, or all children over a certain age. The fact that only a few people receive targeted benefits – and these are usually politically marginalised people – means that they fail to gain significant political support. It is for this

reason that the Nobel prize-winning economist Amartya Sen has highlighted that “Benefits meant exclusively for the poor often end up being poor benefits”.<sup>24</sup>

In sum, a universal pension would act as a strong foundation for a pension system covering all people in Belize. Crucially, it would be the best way to assure that the poorest older people receive a minimum income. Including better-off pensioners would also avoid creating disincentives to save for old age, and would likely be a politically popular option.

## **3.2 A universal pension as a pillar of wider social protection**

### **3.2.1 Universal pensions and human development**

One fact that is often overlooked is that pension systems not only affect older people but also act as a way of indirectly providing social protection for the wider population. This is widely accepted in wealthier countries. Countries in the global North spend a significant proportion of their budgets on social security for older people. Without this spending, the poverty of the population *as a whole* would increase significantly.<sup>25</sup>

Non-contributory pensions impact on wider households, and particularly children, in three key ways. First, older people often share their pension, especially with children. A study in Namibia found that older people only spend about 30 per cent of their pension on themselves and the rest is shared, primarily with grandchildren.<sup>26</sup> The situation in Belize appears to be similar. The situational analysis found that over half of older people contribute to their family regularly, and 77 per cent would like to contribute more.

Second, even where a pension is not actively shared, the extra income of an older person means that families in Belize will not need to use as much household income to support them. This means they can channel more income to children. Thirdly, the prospect of receiving a pension also reduces the pressure on the poorest families to divert their limited income to saving for old age.

There is strong evidence of the impacts of non-contributory pensions on children in other countries which already have them. School enrolment of girls in Brazil was found to have increased as a result of pension reform, while child labour was reduced.<sup>27</sup>

Beyond the household impacts, a universal pension has the potential to give an economic boost to families across Belize. An example of this has been seen in Bolivia, where investment of the universal pension in agricultural activities led to an increase in food consumption over one and a half times the original value of the pension.<sup>28</sup>

Universal pensions – like other cash transfers – also have the potential to boost consumption which can lead to multiplier effects for other members of a community. According to the International Labour Organisation, in Namibia “the wheels of the local economy begin to turn on pension day.” In fact, it is believed that in the absence of the pension, up to half of the shops in many rural areas of Namibia would close.<sup>29</sup>

This is one of the reasons why countries such as Thailand, China and Russia have extended their pensions systems as a way of boosting consumer demand. In Thailand, the extension of the social pension in 2009 to everyone without any other pension was part of the country’s stimulus package in response to the global economic crisis.

Finally, and of particular interest to Belize, a universal pension may have an important role to play in helping households deal with natural disasters. Having a regular, predictable and

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24. Sen A, “The Political Economy of Targeting” in van de Walle D and K Nead (eds.) *Public Spending and the Poor: Theory and Evidence* (1995)

25. Eurostat, Community statistics on income and living conditions (EU-SILC) at <http://epp.eurostat.ec.europa.eu/portal/page/portal/eurostat/home> (15 April 2011)

26. Devereux S, *Social Pensions in Namibia and South Africa* (2001)

27. Carvalho Filho I E, *Household income as a determinant of child labor and school enrollment in Brazil: Evidence from a social security reform* (2008)

28. Martinez S, *Pensions, Poverty and Household Investments in Bolivia*, PhD thesis, 2005

29. Devereux (2001)

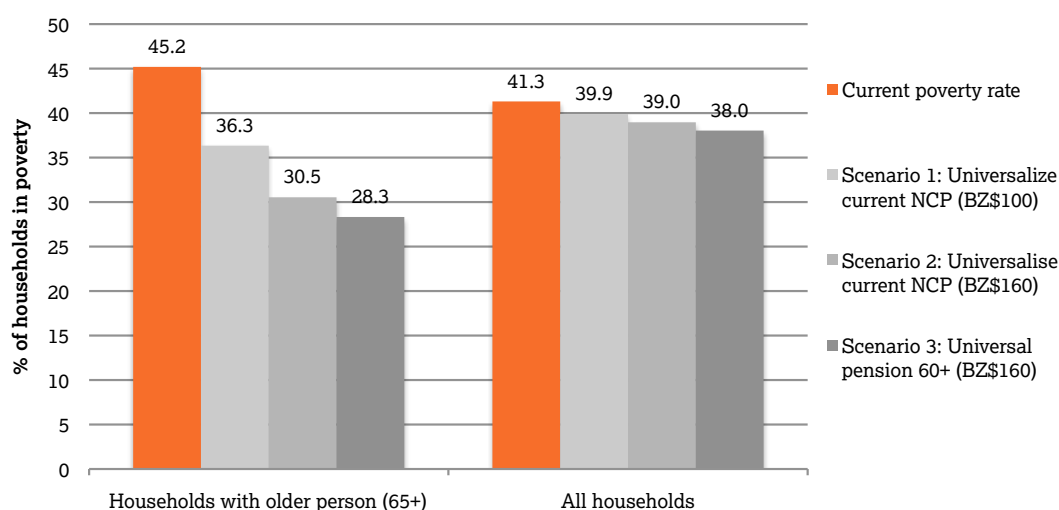
dependable income coming into the household can help some of the poorest families deal with regular shocks such as those faced in Belize in the hurricane season. There is also growing interest in the role of cash transfers – such as universal pensions – in helping people adapt to climate change, and there are calls that they should receive international financial support for this reason. A recent paper by the International Institute for Environment and Development concluded that “cash transfers should be considered as a viable adaptation policy and, when appropriate, should benefit from adaptation finance.”<sup>30</sup>

### 3.2.2 The poverty impact of a universal pension

The evidence from other countries gives a useful overview of the potential impacts, but it is also possible to simulate some of the impacts of a universal pension in Belize. This is done by identifying potential recipient households in the LSMS and increasing their expenditure by the specified amount.<sup>31</sup>

Figure 12 shows the results of simulations for three potential scenarios in order to give a range of impacts. Scenarios 1 and 2 show the poverty impact of extending the current NCP to universal coverage, with scenario 2 showing the impact of a higher benefit (BZ\$160 per month). Scenario 3, the most generous option tested, shows the impact of both reducing the age of eligibility to 60 years, and also increasing the benefit.

**Figure 12. Impact of a universal pension on poverty**



The results show that the impact of any of the scenarios on households containing an older person (65+) would be significant. If the current NCP were made universal the poverty rate would be reduced by almost 6 percentage points from 45.2 per cent to 36.3 per cent. With the most generous option (BZ\$160 to everyone over 60) the reduction would be to 28.3 per cent. This would reduce the poverty of households with older people by one third.

A universal pension would also lead to a significant reduction in the national poverty rate. The most generous option would reduce the national poverty rate by nearly one tenth from 41.3 per cent to 38 per cent. This amounts to over a third of the rise in poverty between 2002 and 2009, and would enable Belize to take a significant step in reducing poverty to previous levels.

30. Godfrey Wood R *Money matters: cash transfers for adaptation* (2011)

31. For households already declaring receipt of the NCP, the annual amount received (BZ\$1200) was first subtracted from their expenditure.

Due to the fact that receipt of the NCP was underreported, the poverty impact here may be slightly over-estimated.<sup>32</sup> On the other hand, this form of simulation may underestimate the poverty impact. For example, it does not take account of the potential multiplier effects of increased consumption by older people, or the investment of pension income leading to higher returns.

### 3.2.3 A universal pension and wider social protection

Currently, the main proposal being made for the expansion of social protection in Belize is for the reform of the social assistance system in the form of a conditional cash transfer (CCT). One question might be, why not invest further in this programme, rather than implementing a universal pension?

In trying to understand how these programmes relate, it is important to acknowledge that no one tool will alone provide adequate social protection for everyone. A universal pension will not reach all vulnerable children, while a conditional cash transfer will not reach all vulnerable older people. The real question is how Belize can progressively build a “floor” of social protection which covers the range of vulnerabilities (old age, disability, unemployment, childhood, pregnancy, HIV and AIDS etc).

It is evident that the most effective approach to addressing the poverty and vulnerability of a growing older population in Belize is the NCP. Teamed with the CCT – which focuses more on younger generations – Belize will begin to build a system of social protection which addresses poverty and vulnerability throughout the life course. Meanwhile, the two programmes are likely to complement each other.

It is meanwhile, worth considering some of the comparative advantages of a universal pension. A CCT will face some of the same challenges as the existing NCP. The CCT will aim to target the poorest families and, as shown above, there is no perfect way to target the poorest people in Belize.

Indeed, even in the most successful conditional cash transfers face this challenge. Brazil’s *Bolsa Familia* programme and Mexico’s *Oportunidades* programme fail to reach 59 and 70 per cent of the target group respectively.<sup>33</sup> In fact, it is often the less poor people who are best able to benefit these programmes as they are usually better able to manoeuvre in administrative systems and even manipulate selection criteria. This is one reason why the poorest older people – who are likely to be less literate and have weaker social networks – can find it most challenging to access means-tested benefits. A universal pension provides an option for overcoming these challenges while a CCT would not.

More broadly, it is important to reflect on some of the wider challenges of CCTs. Although they have gained much attention in internationally in recent years, they remain controversial. Some have hailed them as “as close as you can come to a magic bullet in development” but others are more critical of the use of conditions, calling them “superfluous, pernicious, atrocious and abominable”.<sup>34</sup> A key point of debate is whether the conditions really make a difference. So far, most evidence suggests that the impact of conditional cash transfers on outcomes such as schooling is no different from unconditional cash transfers such as non-contributory pensions.<sup>35</sup>

Non-contributory pensions, on the other hand, are less controversial. Their history is much longer, and over 80 countries have put them in place – both rich and poor. They also seem to be relatively politically popular. Non-contributory pensions are almost always paid from resources in-country, which suggests they are able to draw on the support of the government and the public as a whole. Most CCTs in Latin America, on the other hand,

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32. This is because the value of the pension will have been added to the expenditure of households which – in reality – may receive the NCP, but did not declare it.

33. Soares F V, R P Ribas and R G Osorio *Evaluating the impact of Brazil’s Bolsa Familia: Cash Transfer Programmes in Comparative Perspective* (2007)

34. Kidd S and R Calder, *Conditional cash transfer programmes: their relevance for Nepal* (2011)

35. Department for International Development (DFID), *Cash Transfers: Evidence Paper* (2011)



receive substantial funding from development banks such as the World Bank and Inter-American Development Bank (IDB) in the form of loans.<sup>36</sup>

This evidence therefore suggests that a CCT should not be seen as a magic bullet for implementing social protection in Belize, and other measures should be considered. A universal pension is both complimentary to a CCT, but also has a number of advantages – its effectiveness in reaching the poorest people, and its political popularity.

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36. Handa, S and B Davis, 'The Experience of Conditional Cash Transfers in Latin America and the Caribbean' in *Development Policy Review*, Vol. 24, No. 5, pp. 513-536, 2006

## 4 Affordability and financing

### Summary

- The cost of a universal pension appears to be modest relative to the impacts outlined above.
- There are a wide variety of potential costs for a universal pension – depending on age and benefit level – ranging from 0.52 per cent to 1.73 per cent of GDP.
- Assuming economic growth rates similar to the last 20 years, the cost of a universal pension would remain stable while keeping pace with price inflation.
- In considering whether this is affordable, it is essential to consider the cost of *not* putting in place a universal pension in the context of rising poverty.
- There are a range of options for financing a universal pension including increasing the level of GST and reforming salaries and pensions of public sector workers.

While the case for a universal pension may be strong, any extension of the current system would demand financial investment from government. This section will look at the range of costs for a universal pension, and consider how the government could to fund its implementation.

### 4.1 Cost of a universal pension

The cost of a universal pension is based on two key variables (a) the age of eligibility and (b) the level of the transfer. The two transfer levels chosen for costing are BZ\$100 – the current pension level – and BZ\$160 – a more generous benefit. Three different ages of eligibility are simulated: 60 years, 65 years and 70 years. The calculations also take account of administrative costs which are assumed to be 5 per cent of the total cost of the transfers. This is in line with international experience on the cost of universal pensions – if not slightly on the high side.<sup>37</sup>

The simulations are based on the methodology described in Willmore (2007).<sup>38</sup> The population figures have been calculated by taking the 2009 mid-year population data from SIB and projecting it to 2010 using trends from the UN Population Division *World Population Prospects, 2008 Revision*. Economic data is from the IMF World Economic Outlook Database.<sup>39</sup>

Table 4 presents the results of the calculations. Depending on the scenario chosen, the cost of a universal pension would vary from 0.52 per cent to 1.73 per cent of GDP. To make the current NCP universal to all men and women over the age of 65 would cost 0.77 per cent of GDP. To put this in perspective, this would constitute just under 3 per cent of government revenue.

For a more generous pension the cost would be higher. A pension of BZ\$160 to everyone over 60 would cost 1.73 per cent of GDP. This would constitute 6.5 per cent of government revenue. While these costs would not be insignificant, they appear to be reasonable for a pension that could reduce the national poverty rate by 3.3 percentage points.

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37. Willmore L, 'Universal Pensions for Developing Countries' in *World Development* 35(1) 24-51, 2007

38. Willmore (2007)

39. IMF, *World Economic Outlook Database*, October 2010

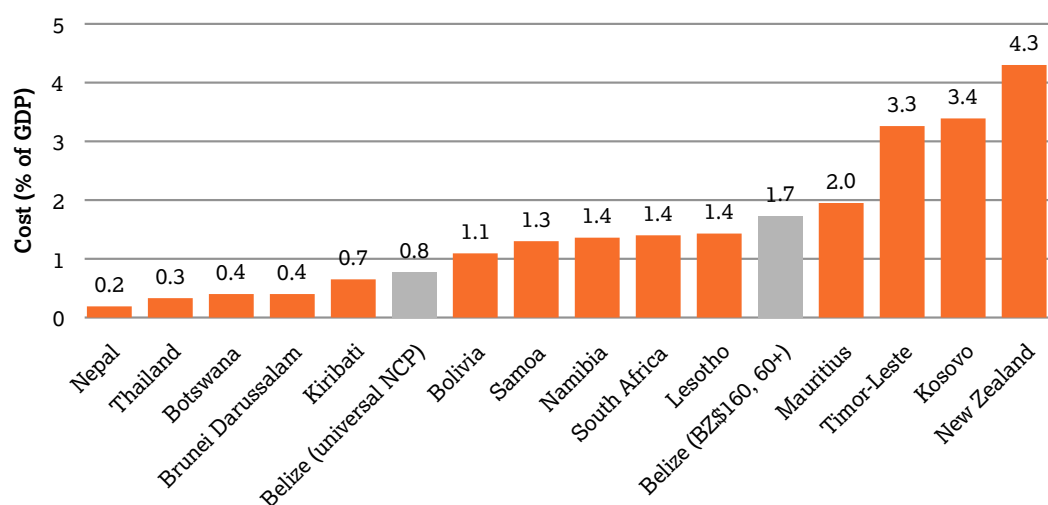
**Table 4. Cost of a universal pension, 2010 (current prices)**

Monthly pension	Age of eligibility	% of GDP	BZD (millions)	USD (millions)	% of government revenue
BZ\$ 100	60+	1.08%	31.01	15.74	4.04%
	65+	0.77%	21.92	11.13	2.86%
	70+	0.52%	14.84	7.53	1.93%
BZ\$ 160	60+	1.73%	49.61	25.18	6.47%
	65+	1.23%	35.07	17.80	4.57%
	70+	0.83%	23.74	12.05	3.09%

The figure for government expenditure is made on the based on the projection of government revenue for 2010/11 (26.8 per cent of GDP) by IMF staff as part of the 2010 Article IV consultation

Another useful comparison is to look at the cost of a universal pension in Belize relative to other countries which have put them in place, as shown in Figure 13. Two scenarios are shown for Belize. The first is a universal pension of BZ\$100 to everyone over 65 years – more or less an extension of the current NCP. The cost of this would be low compared to other countries with universal pensions. Bolivia, Lesotho, Namibia, Samoa and Timor-Leste all spend more on their pensions despite having lower per capita income than Belize.<sup>40</sup>

**Figure 13. Cost of universal pension options in Belize by international standards**



Source: HelpAge International, Social pensions database

The second scenario would extend the pension in terms of generosity and age, giving BZ\$160 per month to everyone over 60. This would mean Belize would spend similar amounts to South Africa, Lesotho and Mauritius on the universal pensions. These are countries which have seen some of the most impressive impacts on poverty and wellbeing of older people and their families. The costs would also remain lower than other developing countries such as Timor-Leste and Kosovo.

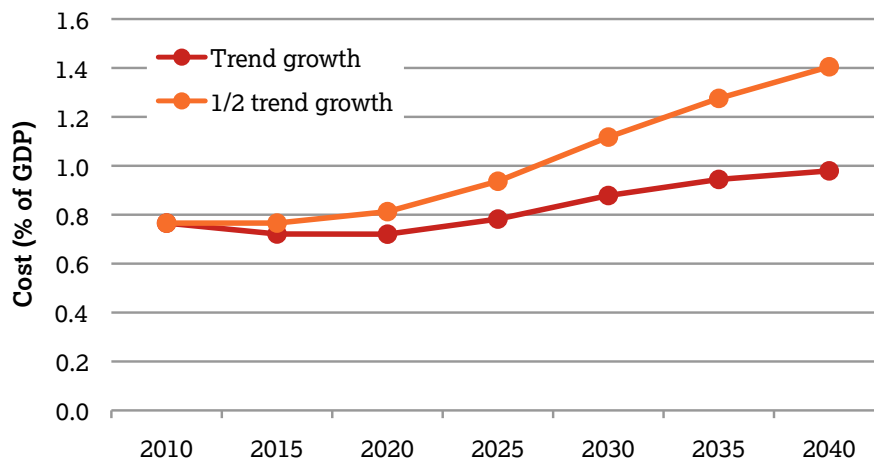
40. Per capita income is measured in GDP per capita in purchasing power parity dollars (PPP\$). See IMF, *World Economic Outlook Database*, October 2010, for more details.

## 4.2 Costs into the future

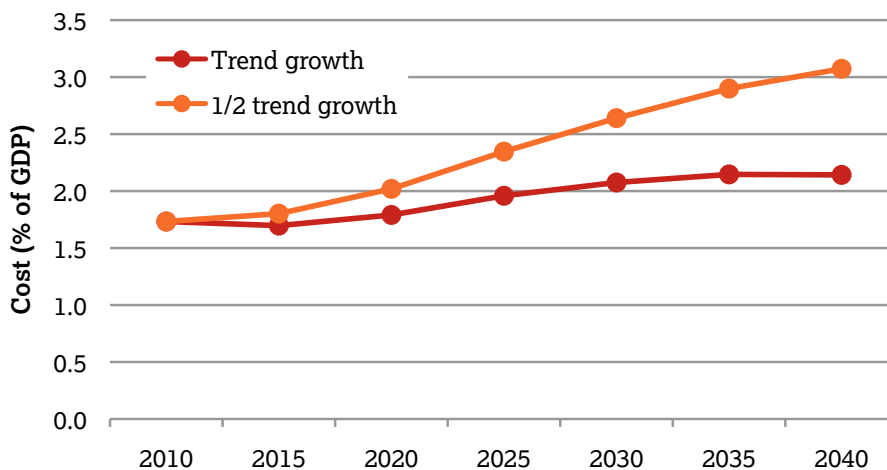
Despite the relatively modest costs of a universal pension today, some might question the affordability of such a policy as the older population of Belize grows. However, an ageing population does not necessarily mean that the cost of a universal pension would rise significantly.

Figures 14 and 15 project the future costs of a pension using population projections described in section one. Two scenarios are chosen for the cost of the pension. In both, it is assumed that the value of the pension would be indexed to price inflation, thus retaining its real value in terms of purchasing power. In the first scenario, it is assumed that the economy experiences “trend growth” – equal to that experienced in Belize over the last 20 years. This is equal to 2.45 per cent annual growth in GDP per capita.<sup>41</sup> In the second scenario, it is assumed the country would experience half of trend growth (1.23 per cent growth in GDP per capita per year).

**Figure 14. Cost of a universal pension 2010-2040 (BZ\$100 to everyone over 65 in 2010)**



**Figure 15. Cost of a universal pension 2010-2040 (BZ\$160 to everyone over 60 in 2010)**



41. Note that annual growth in real GDP per capita will usually be lower than growth in real GDP, due to population growth. In other words, increasing wealth needs to be divided between more people.

The figures show that in a situation of half trend growth, the cost of the universal pension would double over the next 30 years. In a situation where growth followed the trend of the last 20 years, the costs would be kept stable, only increasing by about 25 per cent. The reason for this is that the pace of economic growth would effectively be cancelling out the ageing of the population.

Whether or not the increasing cost of the pension is negative would be a matter of political debate in Belize. With an ageing population it may make sense for the government to spend more on keeping older people out of poverty. However, an important lesson from these projections is that the increase of costs would be relatively steady, especially if growth followed the trend of the previous 20 years. This would mean that Belize would be in a good position to accommodate gradually any extra costs as the population ages.

### 4.3 Financing options

While the costs outlined above appear to be reasonable, the obvious question will be whether can Belize afford to implement a universal pension. The answer to this question is as much political as it is technical, and will eventually come down to a question of government priorities – in particular, how committed the government is to dealing with the rising levels of poverty.

One useful way to put this in perspective is to turn the question on its head and ask whether Belize can afford *not* to implement a universal pension. Cutting poverty to 2002 levels – let alone reaching Millennium Development Goal 1 – will be a huge task for the country. In this context, it is hard to imagine that this could be done without a further investment in social protection.

Of course, a universal pension cannot do the job alone, but it has some crucial benefits. First, it will have immediate “day after” benefits. As soon as the cash payments begin to reach new households, the poverty level of these households will reduce. Second, a universal pension – as with other cash transfers – will have an important complementary role to other interventions which the government can employ to cut poverty. As outlined above, social pensions have proven to increase school attendance and – by putting more money into the economy – there will be money-multiplier effects which lift other households out of poverty and support small businesses.

If this is the case, what are the practical financing options available to Belize? As a starting point, it is important to acknowledge the present fiscal situation. Belize is currently under significant pressure to reduce its budget deficit in order to service significant external debt. This means increasing government revenue and/or decreasing existing spending. Achieving debt sustainability is a key priority of the Belize government, which was reinforced in the IMF in its 2010 Article IV consultation.<sup>42</sup>

Yet it appears that – even by the IMF standards – the door to investing in social expenditure is far from closed. The Article IV consultation emphasised that addressing debt issues needs to be done “while providing space for priority social spending”. Indeed, IMF staff included an assumed reallocation to “social priorities” as part of a foundation for stronger economic growth in the long term.

In considering options to increase fiscal space, the IMF proposed two options. The first would be to reduce the current expenditure on wages and pensions. This refers not to pensions managed by SSB (including the NCP) but public service pensions. The costs of these are significant. To put them in perspective, wages and salaries currently make up over one third of government revenue (10 per cent of GDP) while public service pensions make up around 1.7 per cent of GDP.<sup>43</sup> This means that these pensions, which cover just one in 13 people over 65, cost the government more than the most generous scenario for a universal pension outlined above (section 4.1).

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42. International Monetary Fund (IMF), *Belize: 2010 Article IV Consultation* (2011)

43. IMF, *Belize: 2010 Article IV Consultation*

The reform of salaries and pensions has risen up the agenda in recent months. In the 2011-12 budget speech, Prime Minister Dean Barrow announced that the government is “in the process of undertaking a comprehensive review of the public and government pension systems through a technical cooperation grant from the IDB”.<sup>44</sup> One of the suggestions made during consultations for this study was that the retirement age for such pensions – currently 55 for government employees – be increased gradually to 65 in line with other pensions. This would free up significant funding.

The second option proposed is to increase general sales tax (GST) from 12.5 per cent to 15 per cent which, according to the IMF, is “closer to regional levels”. This was increased from 10 per cent in April 2010. It should be noted that not only residents of Belize pay GST, but also visitors, which means it is not only Belizeans who will contribute to this revenue.

Evidently, any increase in tax or decrease in spending in Belize will meet with opposition from some quarters. Nevertheless, such hard choices are likely to be necessary if the government of Belize is committed to reducing poverty. It is also worth considering that any attempt to increase fiscal space may meet with less resistance if it is linked to a policy – such as a universal pension – from which all Belizean citizens will eventually benefit.

One final issue to consider in financing a universal pension is that the current NCP is financed from the Social Security Board, which is funded by its contributors, not from the government budget. It is clear that this has negative implications for the long-term situation of the SSB fund. As highlighted by the 2009 Actuarial Report, if the NCP were removed from the books of the SSB today it would extend the period of equilibrium<sup>45</sup> by 3.5 to 4 years.<sup>46</sup>

Reducing the cost of the NCP to the SSB fund is one of the key priorities outlined in the Actuarial Report. Indeed, the NCP committee has already begun reducing numbers of beneficiaries; the number fell from 4,934 in 2008 to 4,726 in 2009. The implications of this for human development are clearly a concern, considering the poverty impacts of the NCP outlined above.

The implementation of a universal pension from government funding would resolve this issue without jeopardising human development. Meanwhile, the funding of the NCP from SSB funds may provide an option for gradually increasing spending on a universal pension, rather than all at once. For example, in the first year of introduction of a universal pension, payments for current NCP recipients could be funded from the SSB fund, and the rest from the government budget. For a pension for everyone over 70, this would reduce initial costs by around one third. If this was the approach taken, it is worth emphasising that it should be a stopgap and that the longer-term funding for a universal pension should come from government.

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44. See News5, 14 March 2011, *The P.M.'s Speech: review of pension and \$63 million in amortization*, <http://edition.channel5belize.com/archives/50727> (5 May 2011). The review of pensions by IDB is described here: <http://www.iadb.org/en/projects/project,1303.html?id=BL-T1044> (10 May 2011).

45. The period of equilibrium is the point at which “income from contributions and investments equal benefit and administrative expenditure... Without an adjustment to the contribution rate, assets will need to be liquidated to pay current expenditure and reserves will begin to decrease.”

46. Perez Montas (2010)

## 5 Implementing a universal pension

If the NCP is scaled up to a universal pension there may be questions as to how this might affect implementation of the scheme. In many respects the implications are likely to be minimal as the systems for registration and payment are already in place – and seem to be functioning relatively well. Nevertheless, this section outlines some of the areas to be considered in making decisions about implementation.

### 5.1 Registration and de-registration

As outlined in section 2.1, in order to register for the NCP, individuals need to be able to demonstrate their age, their residence status (to be a permanent resident or citizen of Belize), possession of a Social Security Card and that they meet the requirement of having “no source of income or inadequate means of support”.

Making the NCP universal would reduce the information needed for registration and – crucially – remove the most challenging criteria identifying whether a recipient is poor. This would leave age and residence/citizenship as the two criteria for eligibility. It seems appropriate to continue to use the Social Security Card (SSC) as proof of age and citizenship, as opposed to any other document. The SSC has the advantage that it displays proof of both age and citizenship/residency. Meanwhile, retaining it as proof of eligibility is a way of maintaining the perceived value of the card as essential for claiming social security benefits, both contributory and non-contributory.

The only potential issue is that coverage of SSCs is still not universal. The exact coverage is hard to estimate but it is clear that there are some gaps. Consultations with the Vital Statistics Unit in the Registrar General Department revealed that older people continue to come and register their identity documents. It is likely that those who do not have an SSB card and other identity documents are some of the most vulnerable older people. Internationally, low access to registration documents tends to correspond with illiteracy and poverty. Nevertheless, over time – and with continued campaigns for SSC registration – access to the pension should increase. Countries such as Bolivia have actually shown how entitlements such as a universal pension can help to increase demand for these kinds of documentation.<sup>47</sup>

Beyond age and residence/citizenship, if a universal pension were to include some form of pensions test (as described in section 3.1) it would be necessary to verify whether a recipient had access to any other pension. This would be relatively simple in the case of SSB pensions and public service pensions, and the main challenge would be the integration of this information on pension eligibility into the registration process. It is, however, likely to be far more challenging in the case of private pensions where information may be harder to obtain. This may make it very difficult to exclude such individuals all together.

A more significant challenge than registration in the case of a universal pension is **de-registration**, ie, that an individual is removed from the payroll when they die. The current system for the NCP and other SSB pensions is that an individual must make a declaration every six months to prove they are still alive. This appears to be a reasonable approach for the near future. From consultation with the Vital Statistics Unit it appears that death registration in Belize is relatively patchy.

One option for the long term may be to consider the introduction of a funeral benefit in Belize. This could be introduced at – say – a level of three times the benefit of the NCP (BZ\$300) and given to any family which registers the death of an individual. This would create an incentive for individuals to declare the death of a family member and reduce the need for declarations to be made every six months. It would also create a form of social protection at a time when families often have to incur extra expenses.

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47. McPherson A, *Challenges and opportunities for age verification in low- and middle-income countries* (2011)

## 5.2 Payment

Payment for the NCP is currently done through the banking system, and specifically Atlantic Bank Ltd. This appears to be quite successful, but with the expansion of the NCP to a universal scheme it would be worth considering additional methods of payment. Banks are currently limited to urban areas, meaning that individuals in the rural areas have to travel in order to receive their pensions. An example of this is in Benque Viejo where there is no bank, NCP recipients must travel to San Ignacio to pick up their pension. This involves extra spending on travel, which reduces the income that older people can get from the pension. This is of concern, considering that people in rural areas are poorer.<sup>48</sup>

There are a number of options available for payment of social pensions which governments globally are experimenting with. One option which was suggested during consultations was that credit unions be used as they tend to have a greater reach into rural areas than the banking system. In expanding to new payment mechanisms it would be necessary to ensure that they were coordinated with the same database of recipients to assure no duplication of payment. One option for doing this is that individuals would be able to choose a particular method of payment.

## 5.3 Institutional responsibility

The administration of the NCP currently sits with the SSB. However, if financing was moved to the general government budget there could be a case for considering other institutions for administration. Options include moving to the MHDST or under the direct administration of the Ministry of Finance.

One argument for moving the administration to the MHDST would be that the role of this scheme is more directly linked to questions of human development, rather than to savings and insurance. On the other hand, arguments for retaining the administration within the SSB include the fact that eligibility would be linked to the SSC and the symbolic importance of showing that the NCP is an integrated part of the pension system. In either case, it is worth emphasising that the basic administration of a universal pension would be simple registration and deregistration, and assuring payment is delivered on time. This would significantly reduce the tasks of the current NCP committee.

One particularly important role to consider for the MHDST would be continued monitoring. As noted above, some older people may not have necessary documentation to access a universal pension, therefore, the Ministry could support them to process their documents. The Ministry could also play a role in dealing with grievances, such as claims that individuals have been unfairly included or excluded on the programme.

There is also a continued role for civil society organisations such as HelpAge Belize and VOICE. The National Council on Ageing (NCA) has also worked closely with the Vital Statistics Unit to register older Belizeans who do not have proper registration papers. Up to now they have played a role in supporting older people to apply for the NCP.<sup>49</sup> This role should continue, especially to help older people to access necessary documentation. There is a particularly important role to play in spreading awareness of a universal pension so that the most vulnerable people apply.

Finally, the NCA has a mandate to provide ongoing support for the establishment and monitoring of a universal pension.

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48. National Human Development Advisory Committee, *2009 Country Poverty Assessment: Volume 1*

49. National Human Development Advisory Committee, *2009 Country Poverty Assessment: Volume 1*



# Conclusion and recommendations

## Conclusion

The population of Belize is ageing and over the next thirty years the proportion of older people will double. This demands a reflection on policy to ensure that it adequately addresses the increased vulnerability of growing older. The urgency to address an ageing population comes in the context of a dramatic rise in poverty over the last decade – including that of older people.

What this report has revealed is that providing income security to older people should not be seen as a trade-off with wider development objectives. The relationship between older people and their families seems to be mutually supportive, meaning that the wellbeing of the two is hard to disentangle. A large number of older people live as part of wider households that face higher poverty rates than the rest of the population. Supporting older people financially will therefore help to support some of the most vulnerable families in Belize and – consequently – support longer-term development.

To date, the Belize government has taken a number of positive steps to support the income security of older people, particularly through the introduction and extension of the NCP. It is clear that – despite being modest – the NCP makes a huge difference those who receive it; nevertheless, the limited coverage and targeting inaccuracies leave many poor older people excluded.

A universal pension in Belize would go a long way to resolving this. By providing universal coverage it would ensure that the poorest households with older people receive a pension, and constitute a strong foundation for the wider pension system. Simulations suggest that a universal pension has the potential to reduce poverty in old age by a third and make a significant step to reducing the national poverty rate to the level of 2002.

In terms of feasibility, Belize could start to put in place a universal pension for a relatively low cost and the costs would only rise marginally in the medium-term. This is in spite of population ageing.

## Recommendations

**On the basis of the above findings, this report recommends the introduction of a universal pension as a way of tackling family poverty in Belize, and preparing for an ageing population.**

In terms of funding, a fundamental question is whether Belize can afford *not* to put in place a universal pension. Such approaches are needed if the country hopes to reduce poverty to 2002 levels and move towards Millennium Development Goal 1. Meanwhile, in spite of the need to cut the budget deficit, there appears to be scope to factor in the funding of a universal pension. Financing opportunities include the upcoming reform of public service wages and salaries and a potential increase in GST to 15 per cent. Including a universal pension in this process would promote human development and signal the government's commitment to reduce poverty.

There are options available for the implementation of a universal pension that should not jeopardise the balancing of the budget. The report proposes one of the following three options – which vary in terms of cost and potential impact – depending on the fiscal and political commitment.

### Option 1: A first step to a universal pension

Eligibility	All men and women over 70 years
Pension level (monthly)	BZ\$100
Cost	BZ\$14.84 million (0.52 per cent of GDP)

This option would be a way to guarantee that all older people over the age of 70 receive the NCP. The high eligibility age would not provide the best option for Belize in the longer term, but would be part of progressive way to extend coverage as the “older old” appear to face the greatest poverty (see Figure 3, page 17).

In this scenario, the current model of the NCP would be continued for women 65-69 and men 67-69 in order to assure that current recipients would not lose this support, and that some poor older people in this age bracket could still be reached. This option would, however, cut the cost of the NCP to the SSB by 85 per cent, significantly improving the long-term situation of the SSB. One possibility is that funding for the current NCP recipients over the age of 70 could also be moved to government funding gradually, in order to reduce initial costs.

Starting with a higher eligibility age would make this a low-cost option. The costs of the programme could be cut by around 13 per cent if existing pensioners were not included in the new universal pension (see Table 2, page 18). This, however, may reduce the political popularity of the scheme and could create some perverse incentives to save in the SSB scheme.

### Option 2: A universal NCP

Eligibility	All women over 65 years and men over 67 years
Pension level (monthly)	BZ\$100
Cost	BZ\$21.92 million (less that 0.77 per cent of GDP <sup>50</sup> )

This option would be the simplest way of putting in place a universal pension in Belize. The current age of eligibility would remain but all older people over this age would be able to receive a pension.

As with Option 1, it may be worth considering whether the portion of recipients currently paid out of SSB funds should be moved to government funding gradually, or all at once.

### Option 3: A more comprehensive universal pension

Eligibility	All men and women over 60 years
Pension level (monthly)	BZ\$160
Cost	BZ\$49.6 million (1.73 per cent of GDP)

This option would be a more generous approach to a universal pension, reaching a larger population (everyone over 60) and with a higher benefit level. The strength of this option is that it would be the most effective in reducing poverty and supporting human development in Belize.

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50. This is the cost of a universal pension for all men and women over the age of 65. If the age of eligibility for men remained at 67 the cost would be slightly lower.

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