



Institute
and Faculty
of Actuaries

Social Protection initiatives and COVID-19 in Africa

IFoA COVID-19 Action Taskforce on
Social Security

30th April 2021



Our objectives today

- Share experience and ideas around Social Protection initiatives in light of COVID-19
- Learn about different country responses to the pandemic
- Gain better understanding of the challenges for Social Protection
- ... and the potential for innovative solutions
- Begin a conversation about how actuaries can help in this area
- Hearing from:
 - actuaries working in different countries
 - the IFoA's Social Security taskforce members



Institute and Faculty of Actuaries COVID-19 Action Taskforce on Social Security

- Institute & Faculty of Actuaries volunteers drawn from a number of actuarial practice areas and working in the UK, Nigeria and Zimbabwe
- Met weekly since May 2020 to discuss challenges and ideas in Social Security
- You will find some of our output at blog.actuaries.org.uk and in *The Actuary* (Oct 2020)
- Areas we have considered include:
 - different country responses
 - criteria for assessing the effectiveness of new initiatives
 - challenges of the informal economy
 - basic income approaches
 - intergenerational transfers and other imbalances
 - national pensions increases
- Taskforce members: Tawanda Chituku, Laura Llewellyn-Jones, Stephen Moncrief, Alan Newton, Peter Tompkins and Chris Sutton





Institute
and Faculty
of Actuaries

Different responses to the pandemic

Introduced by Tawanda Chituku

Actuarial leaders share the experiences and challenges in a number of countries across the Continent

Our Speakers

- Sandeep Raichura, Kenya
- Edwin Mulenga, Malawi
- Laura Llewellyn-Jones, Nigeria
- Barry Childs, South Africa
- Taonaziso Chowa, Zambia
- Donald Hove, Zimbabwe



Malawi

- Population approx. 18 million
- Pension fund members – accumulation phase: 472,347 (23.0% female; 64% actively contributing) – December 2020
- No social security system, i.e. no social security fund. Implies pressure from members to use pension savings in times of crisis
- Predominantly defined contribution system and only in the formal sector.
- Started in 2011. (min 5% employee and 10% employer)
- Total assets: USD1.35bn in Dec 2020



Malawi (continued)

- Covid-19 impact: Increased early withdrawals, increased contribution arrears, increased calls to shorten the minimum period (currently 6 months) the unemployed stay before qualifying for early withdrawal, disinvestments
- Stakeholder willingness to effect changes was there, but the changes needed to go through usual process i.e. Parliament.
- Pension Amendment Bill might be tabled in parliament this year: 3 months waiting period for early withdrawals from 6 months, voluntary schemes (provident funds and personal plans), assigning/pledging of pension benefits to secure property pre-retirement, allow those 5 years or less to retirement access lump sum payment



Nigeria

- Population approx. 200 million
- 8.4 million registered pension account holders (Nairametrics, 20 March 2019)
- Predominantly a mandatory defined contribution system (public and private) for formal workers. 18% contribution rate (8% employee and 10% employer)
- Due to the pandemic, payments of up to 25% of individual pension funds were allowed to be withdrawn if under 50 and out of work for at least 4 months
- For example, Q4 2020 the National Pension Commission (PenCom) approved N5.33 billion (approx. \$14 million USD) in payments to 11,796 account holders who found themselves out of work (This Day, 10 March 2021)
- No payments available to informal sector workers



Uganda

- Population approx. 45 million
- Pension coverage ratio approx. 16% (taken from URBRA Sector Report 2019)
- Main mandatory social security scheme: National Social Security Fund (NSSF)
- Predominantly defined contribution system. NSSF: 15% contribution rate (5% employee and 10% employer)
- Due to the pandemic, NSSF has suggested flexibility to mid-term access giving individuals over 45 who have saved for at least 15 years, access to 20% of their retirement savings; this is still be signed into law
- Government provided distribution of food packs to 1.5 million vulnerable people in Kampala and Wakiso in April 2020 to help support workers during the lockdown



Zambia

- Population approx. 17.9 million
- Total adult population – 9.5 million (16 years or older)
- 53% of adults live in rural areas; 46.6% in urban areas
- Total employed = 2.91m (828k - formal and 2.08 informal)
- social security system – basic mandatory scheme, which is the National Pension Scheme Authority (NAPSA) established in February, 2000 and valued at K33 Billion
- Other statutory pension schemes, that is, the **Public Service Pensions Fund (PSPF)** and Local Authority Superannuation Fund (**LASF**) are in deficit and receive government bailouts every year
- the Workers Compensation Fund Control Board (WCFCB) established in 1999 has total assets of 2.1 billion
- total membership of private pension scheme members as at 30th September 2018 stood at 107,293 and Pension fund assets – 7.96 billion (\$564.54 million) – December 2019
- National Health Insurance Scheme was rolled out in 2020 and caters for all in formal employments



Zambia (continued)

- Covid-19 impact: The country has only had partial lockdown affecting areas of gatherings and shortened trading periods
- The retirement age was increased from 55 to 60 in 2015 there has not been talk on early withdrawals, since those turning 50 under the old PSPF scheme qualify for an early payout.
- The country faces delays in the payment of retirement benefits from the LASF, PSPF and even on private arrangements for government funded institutions due to scheme deficits.
- Social Cash Transfer Programme –For 60 years old and above and other vulnerable groups target number for 2021 increased to 994k in 2021 from the 700k households reached in 2020 – amount to increase to K110 from K90
- FSD Zambia (2020) The proportion of households selling assets to meet basic needs is going up, from 12% in May to 25% in September 2020
- Government has availed a fiscal stimulus package of k8 billion with gradual funding through Coronavirus pandemic bonds.
- NAPSA and NHIMA have intensified reaching out to the informal sector





Institute
and Faculty
of Actuaries

Challenge of the Informal Economy

It is the people not included in the economic and actuarial models that we should be most worried about

Social Protection solutions worldwide need to take proper account of the growing Informal Economy

- Recognising holes in safety nets
- Growing numbers of people live and work outside protection systems
- Post pandemic solutions will need to allow for changes in informal economies:
 - Effects of structural changes in economies and industries post pandemic
 - Challenge of supporting isolation during COVID-19
 - Different concept of retirement





Institute
and Faculty
of Actuaries

Experiments with Universal Basic Income approaches

Presented by Stephen Moncrief

Universal Basic Income (UBI) is conceptually a government programme in which every adult citizen receives a set amount of money on a regular basis. The goals of a basic income system are to alleviate poverty and replace other need-based social programmes that potentially require greater bureaucratic involvement. Implementation could vary considerably but is most likely to be based on the cost of a bare minimum of life necessities.

UBI: Blogs

- <https://blog.actuaries.org.uk/blog/now-time-universal-basic-income>
- <https://blog.actuaries.org.uk/blog/universal-basic-income-what-experience>
- <http://blog.actuaries.org.uk/blog/universal-basic-income-where-have-ubi-schemes-not-been-implemented>
- <https://blog.actuaries.org.uk/blog/universal-basic-income-does-coronavirus-pandemic-alter-case>



UBI: History

Everywhere basic income has been tried



Source: Vox Research

Vox



Institute
and Faculty
of Actuaries

UBI: Africa

Namibia

- In 2008, a two-year experiment in Namibia provided around 1,000 people in the villages Otjivero and Omitara with 100 Namibian dollars (around £10 at the time, 8% of the average income) a month.
- The project was found to have reduced child malnutrition and increased school attendance. It also generated more income than the payment itself due to increased economic activity.
- Increased migration to the area highlighted an issue with regional rather than national UBI.
- Overall crime rates fell by 42%.

Kenya

- “Give Directly” is a targeted UBI experiment in Western Kenya providing each eligible adult \$22 per month for 12 years (Note: some receive for 2 years and others a lump sum) to see if this helps lift them out of poverty. Payments are received by mobile phone and it is targeted to rural areas.
- Recipients have stated that governments are not best placed to determine how people should spend their income and UBI enables people to make choices between short-term (food) and longer-term (sustainability).



UBI: Africa

Togo

- During Pandemic "Give Directly" used mapping technology to identify and target poorer areas in order to provide an income. The scheme was called "Novissi". Applicants had to be Togolese citizens who were registered to vote and over 18 years old working in the informal sector.
- The payments were made via T Money, a mobile money account. The amount was paid fortnightly but equated to a monthly income of FCFA 12,250 for females and 10,500 for males (c 30% of minimum wage, c20 USD).
- The scheme operated between April 2020 and March 2021.
- 1.6 million people (0.9m female, 0.7m male) registered and 0.8m people benefitted. A total of FCFA 13.3bn has been paid out.
- Prior to the scheme about 61,000 Togolese citizens received cash support since April 2019.

South Africa

- Between May and October 2020 a basic income of R350 per month was made available for working age adults who were unable to get support elsewhere.



UBI: India

- As a comparative in another developing economy
- In 2010 a project was launched across 20 villages in the Indian state Madhya Pradesh (designed by Professor Guy Standing and funded by UNICEF).
- Professor Standing described its “overwhelmingly positive” effects: “Improved sanitation, improved child and adult nutrition, better health, better healthcare, and improved school attendance and educational performance. In general, people spent the extra money sensibly.”
- He claims social equity improved, with marked benefits for people with disabilities, women and those from lower castes.



UBI: Impact of Pandemic and Future for Africa

- The Pandemic highlights short and long term advantages of UBI:
 - Help with recovery or provide infrastructure for similar situations in the future
 - Deals well with large shocks to the economy but might be expensive
- Africa very diverse and has different challenges to the rest of the world
- Would UBI work in Africa? Africa has generally less developed social protection structures and larger informal economies. The pandemic has highlighted the difficulties in supporting those who need it most, especially in the informal sector.
- Governments may largely be unable to fund but are there 3rd party funding options?
- Could International Aid be provided in this form? Given pressures on international aid funding, concerns over corruption and scandals in the aid sector would it be better for all or some overseas aid to be paid directly to individual citizens?
- India provides the best comparable outside Africa where a 3rd party funded programme produced encouraging results.
- The experiments in Kenya, Namibia and Togo seem positive but is there any opportunities for similar trials or wider schemes in other African countries?
- Thoughts? Questions?



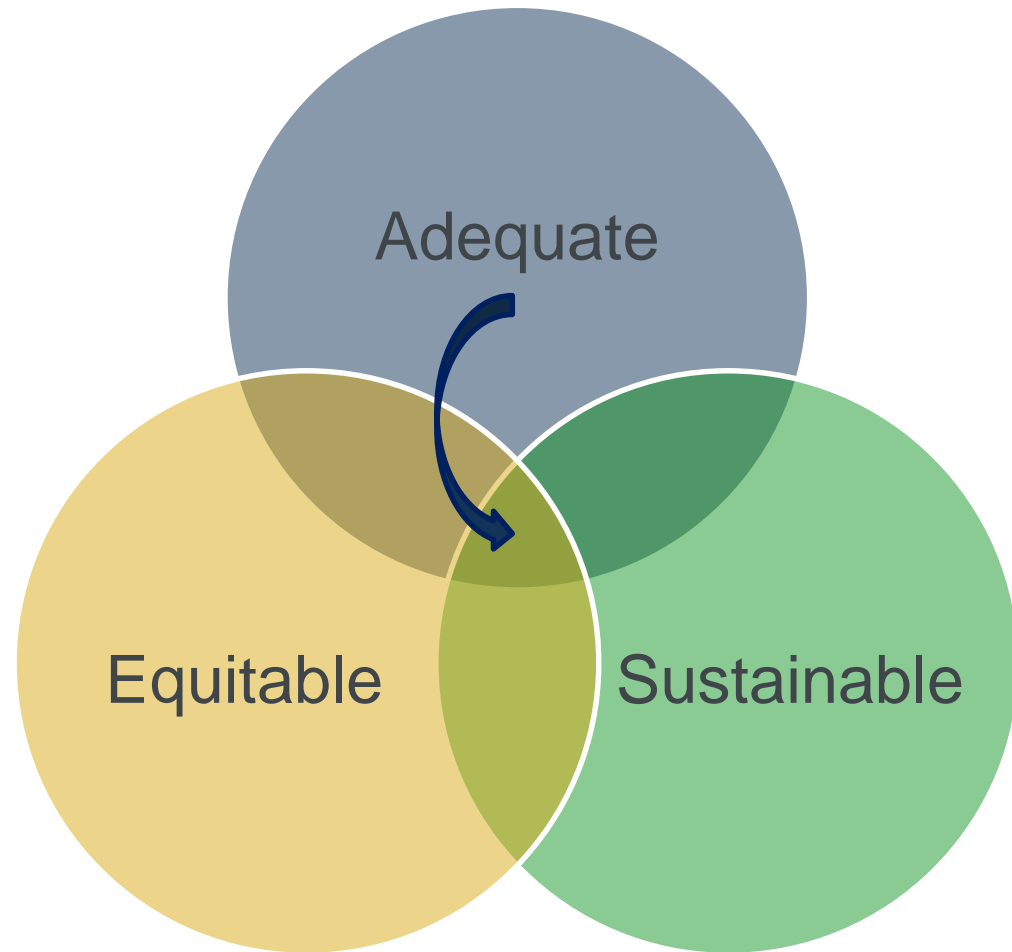


Institute
and Faculty
of Actuaries

Sustainable financing of Social Protection

How can actuaries help in the design and assessment of social protection initiatives?

Criteria for assessing Social Protection initiatives



Alignment with
Public Health goals

- Adequate - to what extent are the benefits effective as a safety net or source of income replacement?
- Equitable - are different groups or cohorts treated fairly both as contributors and beneficiaries?
- Sustainable - do financing arrangements hold up over different timeframes, with changing demographics and some resilience to future shocks?



Institute
and Faculty
of Actuaries



Institute
and Faculty
of Actuaries

Discussion

Please use the Q&A function in Zoom

Next Steps

- The Social Security Taskforce will produce a summary of the discussions today
- We would encourage actuaries to seek opportunities to influence policymakers in this area
- For those who have consented to share contact details we will be in touch to gauge the level of interest in follow up discussions

Thank you
for joining us
today

