

# Public policy in complex situations

## A critical review of social security in Africa

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### ABSTRACT

*Many social security institutions in Africa experience problems of governance and management against the background of the serious challenges faced by public policy in Africa in general. These include economic problems and the institutional design of social security policies inherited from colonial systems, and resulting governance problems. Economic and political challenges and the pressure of globalisation have placed welfare states under siege since the 1980s. The administration of social security systems is complex, and many schemes have not been managed in the best interests of the contributors and beneficiaries. Moreover, in many African countries there are clear indications of excessive state interference.*

*Social security is a universal need, and is recognised as a basic human right, by both the International Labour Organisation (ILO) and United Nations (UN). Social security is not a luxury that a state can accord its citizens only when growth has taken place, or when countries have reached a particular level of per capita income. This article raises the question whether African social policy in particular has changed significantly during this period of challenges. The article provides a brief overview of the main characteristics of current social protection schemes, while acknowledging that designs vary considerably across countries, focusing mainly on developing countries, particularly in Africa, making it difficult to generalise. The article concludes by arguing that, for a social security system to be feasible in the current circumstances of widespread economic crisis, appropriate regulatory authorities need to be put in place to regulate the private and public environment, and to ensure, amongst other things proper customer care.*

### INTRODUCTION

Governments and social security systems in Africa overcome considerable challenges. These include the financial crises of 2008 and 2009, which caused countries' Gross Domestic Product (GDPs) to decline, trade to shrink, unemployment to rise, and social problems to

increase. However, historically, crises have often played an important role in developing and strengthening social security policy, because social security regimes have been born out of crises. For example, the German social insurance model responded to a social crisis or social threat, the British Beveridge model was a reaction to an emerging social crisis after World War-II, and the *American Social Security Act* responded to the social crisis of the Great Depression (Prasad and Gerecke 2010:1).

Social security is considered a universal need, and is recognised as a basic human right by international organisations, for example, in terms of both the International Labour Organisation (ILO) conventions and the United Nations (UN) charters, such as the International Covenant on Economic and Social and Cultural Rights (UN 1966). It is a fallacy that social security is a luxury that can be afforded only when growth has taken place, or when countries have reached a particular level of per capita income.

Social security must be carefully managed. In many African countries, there are clear indications of excessive state interference, for example, governments control the composition and appointment of governing boards, as well as social security administrations, the management of funds and investment decisions (Olivier 2005:1).

This article therefore raises the question whether African social security policy has changed significantly during this period of challenges. The article provides a brief overview of the main characteristics of current social protection schemes in Africa, with a brief comparison to other developing countries in Latin America and Asia. Designs vary considerably across countries, making it difficult to generalise across the continent. The article concludes that for a social security system to be feasible in the current circumstances of widespread economic crisis, appropriate regulatory authorities need to be put in place to regulate the private and public environment and to ensure, amongst other things, that there is proper customer care.

## **SOCIAL SECURITY AND SOCIAL ASSISTANCE**

In order to understand the differences between social security and social assistance, it is important to explore these concepts by looking at the different categories of benefits they provide.

Social security, as a broad concept, emerged from the needs that arose from the industrial revolution, particularly the transformation of economic and social institutions, as society was transformed, from an agrarian to a wage-labour economy that created economic insecurities for the aged, the disabled and other people who did not have the means to earn an income, and could also no longer rely on extended family networks, due to the emergence of the nuclear family.

Social assistance, as a social security strategy, is a state-funded system, also referred to as social grants in South Africa. The system is non-contributory and is financed entirely from government funding. The *Constitution of the Republic of South Africa* of 1996 (RSA 1996), makes provision for social assistance for people without any income. Section 27-(1)-(c) protects the right of all citizens to access social security and appropriate social assistance if they are unable to support themselves and their dependants. This scheme is means-tested and the onus is on individuals to prove that they are destitute. Social assistance is provided to



individuals in cash or in kind to enable them to meet their basic needs. These forms of social security are crucial requirements for people's survival, and are referred to as safety nets (Subbarao, Bonnerjee, Braithwaite, Carvalho, Ezemenari, Graham and Thompson 1997:2).

Social insurance, another social security strategy, is provided to protect employees and their dependants, through insurance, against contingencies which may interrupt the flow of income. Normally, both employers and employees contribute to the scheme. The contributions are wage-related, and employees and their employers agree upon a percentage they each contribute to the scheme, for example, the employer may contribute 50% and the employee contributes 50%. Social insurance covers contingencies such as pensions or provident funds, medical benefits, maternity benefits, illness, disability, unemployment, employment injury benefits, family benefits and survivors' benefits. Kaseke (2005:5) observes that in many African countries, low wages make it burdensome for workers to contribute to a social insurance scheme, because the contributions absorb income which could contribute to meeting more immediate needs. Under such conditions, it appears futile to focus on future contingencies, which are central to the rationale for contributions to social insurance (Triegaardt 2005:6).

## **SOCIAL SECURITY: A CONCEPTUAL FRAMEWORK**

Social security is recognised to be a necessary policy throughout the developed and developing world. It is widely accepted that social security is important to prevent poverty, as it ensures a basic minimum standard of living for people, and contributes to achieving more equitable income distribution in society. Since the ILO was first set up in 1919, achieving social security has consistently been at the core of its mandate. In order to promote uniformity regarding the conceptualisation of social security, the ILO (2000:29) provides the following definition, which is accepted in all developed and developing nations:

*"Social security is the protection that society provides for its members, through a series of public measures, against the economic and social distress that otherwise will be caused by the stoppage or substantial reduction of earnings resulting from sickness, maternity leave, being injured on duty, unemployment, old age, and death; the provision of medical care; and the provision of subsidies for families and children."*

This definition focuses on employment-related social insurance and a targeted and means-tested social assistance system. Social security has been defined by the UN (2001:3) as a set of public and private policies and programmes that are undertaken by societies in response to various contingencies. These programmes are designed to offset the absence or any substantial reduction of income from work, to provide assistance for families with children, as well as to provide people with health care and housing. From these definitions one can deduce that social security is seen as a response to income insecurity. This type of social security scheme provides for a collective resource accumulation and for sharing risk, so that any contributor to the scheme can benefit in case of the specified contingencies (Kasente 2000:29; Olivier 2005:12).

Social policy is important because it extends security to the poorest people, enabling them to be protected in times of crisis. It can protect people from hunger and malnutrition,

and sustain their access to education and other basic services. Some social protection programmes such as those that offer cash for work also assist in building long-term community assets (Kasente 2000:30).

Social security as a concept emanates from the understanding that people are exposed to unavoidable risks which undermine their capacity to continue earning an income. Therefore, it is important for people to come together and share the risks with others in order to meet their needs and realise their potential. Hence, social security systems or schemes are based on the principles of risk-sharing and pooling resources. Risk-sharing as a concept can mean that no individual should shoulder the burden of exposure to risk on his or her own. Rather it should be a shared burden among all those who are covered by the social security scheme. The pooling of resources ensures that anyone who is covered by a social security scheme concerned is able to draw from the totality of contributions to the scheme. Again, this is based on the assumption that an individual would not be able to mobilise the resources needed to meet the needs arising from exposure to contingency and would need external assistance (Kaseke 2005:91).

An important aspect of social security is that today it is regulated by law, which conveys specific rights and obligations. The law authorises the collections of contributions, the payment of benefits and the imposition of penalties for non-compliance. Social security provision entails a legal and binding agreement between the member of a social security scheme and a social security institution. This legal agreement explains the rights of the member and the obligations of the social security institution. The member is therefore protected from any arbitrary decisions that the social security institution might make (Kaseke 2005:91).

## **FUNCTIONS AND OBJECTIVES OF SOCIAL SECURITY**

In earlier times, when people started to settle and organise themselves in communities, there was a need for protection against unforeseen life circumstances. The development and establishment of formal social security systems that could provide income support and medical care constituted a major step in the development of human societies. The emergence of different forms of social protection schemes throughout the world testifies, to the universal human need for social security, and the importance of clear rights and entitlements (ILO 2011:7). Social security plays an important role in society to eliminate exposure to extreme conditions, for example, of poverty.

The functions of social security range from fulfilling human rights to generating economic growth, nation building, combating poverty and inequality, in addition to the basic role of protecting individuals during hardships (Townsend 2009:61). Social security spending provides insurance to reduce external shocks, for example, due to unemployment or sickness, making it relevant in a post-crisis environment. Social security serves many purposes for individuals, business and the state. It helps to support an individual's consumption during his or her life-cycle, and during macroeconomic downturns. It facilitates job mobility and job matching. It supports human capital formation for long-term growth and, by acting as an automatic stabiliser, it facilitates economic stability. Thus, well-designed social security spending addresses immediate needs, and can also translate into better crisis preparedness and a more effective social policy in the future (Prasad and Gerecke 2010:2).



A crisis presents an opportunity for developing countries to introduce social security where it does not exist, or improve weak social security, and expand limited capacity for gathering information and evaluating programmes. Crises also allow countries to reduce or remove ineffective policies in favour of more equitable ones that promote long-term growth and better risk management. In the past, many countries have capitalised on the opportunities that emerge from a crisis, and have successfully exited from their crisis, while improving their policy frameworks in the long term (Prasad and Gerecke 2010:2).

The objective of social security is to increase capabilities and opportunities, and thereby, promote human development. Social security aims at providing at least minimum standards of well-being to people in dire circumstances, enabling them to live with as much dignity as possible. Social security should not simply be seen as a residual policy function of assuring the welfare of the poorest, but as a foundation at a societal level for promoting social justice and social cohesion, developing human capabilities and increasing economic dynamism and creativity (UN 2001:6). Although poverty eradication may be the top priority, the specific objectives of social security may vary, depending on the country context. They may include specific, albeit broad-based, objectives such as the following:

*“...nutrition for all; universal health coverage and universal access to education; creation of opportunities for productive work, including effective incorporation of rural workers, informal workers and micro-entrepreneurs into the registered labour force and social protection system; effective combination of instruments both public and private, to cover social risks; effective coordination to avoid duplication, excessive costs of programmes and poor quality; effective monitoring and assessment to reduce/eliminate moral hazard, adverse selection, free riding, social exclusion and discrimination.” (UN 2001:7).*

These objectives are not at all exclusive and exhaustive, as every country may view and prioritise its objectives differently.

In Africa, social security objectives usually include short-term and long-term considerations. Short-term measures include protective measures to address immediate contingencies, such as natural disasters. Another field is assistance provided in the context of economic reforms. A caring and inclusive society does not tolerate the marginalisation and exclusion of poor and vulnerable groups. Direct social assistance is given to help the poor to overcome unexpected contingencies. It is important that governments put in place a national preparedness programme for disaster management, with the involvement of civil society, to ensure that the programmes assist the poor and vulnerable groups directly. The programmes may cover training people for civil defence and action, harnessing resources and transport, rehabilitating people and their homes maintaining essential buffer stocks, mobilising the media for community training, and ensuring timely information and the dissemination and harmonising of government and community efforts (UN 2001:7).

Taylor (2008:12) and Mutangadura (2009:1) list five key functions of social security. Firstly, it has a protective function when mechanisms are introduced to save lives and reduce levels of deprivation in a society. Secondly, social security has a preventive function, because, through social insurance programmes, it helps to reduce people’s exposure to risks such as natural disasters, crop failure, accidents, illness and death. Thirdly, the promotive function of social security aims to improve the capabilities of individuals, communities and institutions to

participate in all spheres of activity. Fourthly, the transformative function focuses on reducing inequalities and vulnerabilities through changes in policies, laws, budgetary allocations and redistributive measures. Lastly, social security also has a developmental and generative function by increasing the consumption patterns of the poor, supporting local economic development and enabling poor people to access economic and social opportunities. All these functions are closely connected to one another, even though they may rely on different instruments. There is inevitably some overlap in the instruments used, for example, social assistance, social work and social services can be effectively used to fulfil various functions.

The state has an obligation to ensure social protection for all citizens, especially those who are most vulnerable to poverty and are socially excluded. The importance of social protection in Africa is heightened because of the toll taken by the HIV/AIDS epidemic, volatile food prices, weather related calamities, war and conflicts, the global financial crises, and the erosion of the extended family system, which was traditionally the main source of a social security system in Africa (Matangudura 2009:1).

## **CHARACTERISTICS OF SOCIAL SECURITY IN AFRICA**

Social security is often considered exclusive to developed countries, even though some forms of it, often unstructured, have been in place in every society, including developmental states. Recently, inspired by the successful implementation of social security programmes in Latin America, the use of such programmes has spread to Africa. Some social programmes, such as the pension scheme in Namibia and South Africa, already had systems in place prior to democracy, and have expanded them to members of society previously excluded or marginalised. In other countries systems have been newly developed to protect targeted populations from poverty and vulnerability (Giovannetti and Sanfilippo 2011:1).

There are a number of common features that characterise social security in Africa, according to Ellis and Devereux (2009:13) and Townsend (2009:63). Firstly, social security continues to have limited formalisation, and its expansion is constrained by a lack of formal wage employment among the poor. Most low-income African countries have long had contribution-based social insurance schemes, often modelled on systems developed in colonial times. However very few people are covered by formal social insurance, in most cases no more than 20% of the workforce, principally in the form of pensions for public servants and the employees of large (formal) private enterprises (ILO 2010:17). Secondly, safety nets remain important, as a response to emergencies, and are widespread. Thirdly, there has been a considerable expansion of the number of specifically targeted programmes, aimed particularly at poor and vulnerable groups, though many still remain in the pilot stage. Lastly, in some countries, especially in Southern Africa, schemes based on universality; are increasingly used.

According to an ILO report (2010:18), social security systems in Southern Africa are confronted with a number of challenges. The state of social security in the region is jeopardised by a range of problematic economic features, including limited productivity, persistently high inflation rates, high and increasing informal sector employment, and skewed income distributions, demographic characteristics, including uneven population densities, low life expectancies, high birth rates, differing patterns of retirement, and issues of



governance, relating to emerging democracies and weak subsystems for public administration (Fultz and Pieris 1999:8; Olivier 2005:5).

Africa is considered the poorest continent in the world. It has 25 of the world's 35 least developed countries. It is estimated that almost half of all Africans are poor. In sub-Saharan Africa, almost 75% of the labour force works outside the formal economy, often in subsistence agriculture. Measured unemployment rates in urban areas are over 20% in many countries, and unaccounted unemployment and underemployment mean that the actual percentage of the workforce that is not employed is even higher (Gillion, Turner, Bailey and Latulippe 2000:22; Bailey and Turner 2008:106).

Formal social security is poorly developed in Africa, as illustrated by the fact that most countries do not have comprehensive social security systems. Any existing social security schemes cover few people, usually less than 20% of the labour force, and the range of contingencies covered is also very small. For example, in Tanzania, the existing social insurance schemes cover only 5.4% of the labour force of 16 million people (Kapuya 2003:5). In addition, the benefits paid by many schemes are inadequate to meet even basic needs. In countries where non-contributory schemes exist, governments rely mainly on general tax revenue, which strains government financing, keeping benefits at low levels in most cases (Olivier 2005:5).

The first social security schemes to be introduced were employer liability schemes, commonly referred to as workmen's compensation schemes. France and Belgium were the first countries to introduce social insurance schemes in their colonies. These provided protection against old age (ILO 2000:10). However, the former British colonies in Africa were left behind in the establishment of social insurance schemes. They relied more on national provident funds. However, the situation is gradually changing as countries such as Tanzania, Uganda and Zambia have transformed their provident funds into social insurance schemes (Kaseke 2005:95).

Although there have been changes, social insurance schemes continue to cover a minority of the population. As a result, many older persons are without any formal social protection. Furthermore, many retire without any occupational pensions or with inadequate pension cover. This explains why countries such as Mauritius, Namibia and South Africa are now providing non-contributory pensions. In South Africa, old age pensions are means-tested, and Mauritius has both a universal and a social insurance pension system (ILO 2000:12). Non-contributory old age pensions compensate for the lack of contributory pensions, and promote equity and social justice, particularly in circumstances where formal employment benefits only a few (Kaseke 2005:95).

Some countries, such as Botswana, Malawi and Zimbabwe provide means-tested non-contributory benefits to older people and other vulnerable groups. Regrettably, these reach only a very small fraction of the population, because of a lack of resources and poor targeting. Furthermore, the benefits provided are inadequate. As Midgley (1984:133) observes, the benefits provided are "normally meagre and are seldom paid at a level which is sufficient to maintain the recipient at even a physical minimum level of living". These social assistance schemes are not poor friendly, as they cannot be accessed easily by older people. Moreover, social assistance is often provided as a privilege and not as a right. Consequently, there is no right to entitlement, and governments do not feel obliged to provide adequate resources (Kaseke 2005:96).

Access to health care is critical for older people, but the situation in Africa suggests that many older people lack access to these services, largely due to the fact that many African countries do not possess health insurance schemes. The ILO (2000:17) observes that only 13 countries in Africa provide social health insurance, which reaches only a small proportion of the population. For example, in Kenya, only 25% of the population is covered by the health insurance scheme. Where social health insurance schemes do not exist, older people have to rely on the private health insurance. However the poor, have to rely on the public health care system (Kaseke 2005:96).

Some African countries, such as Cameroon, Ghana, Tanzania and Tunisia, have implemented structural adjustment programmes with the support of the International Monetary Fund and the World Bank. Unfortunately, these programmes have adversely affected social security schemes because they have undermined their viability, despite the fact that structural adjustment programmes have led to “an increase in social protection needs” (ILO 1994:25). A major consequence of such structural adjustment programmes on social security has been shrinkage of formal sector employment. This has eroded the revenue base that needs to underpin social security schemes. Structural adjustment programmes have also resulted in severe cuts in social budgets. In Benin, for example, health expenditure’s share in the total government budget dropped from 8.8% to 3.3% between 1987 and 1992. Most of these governments can no longer guarantee access to free health and education. Furthermore, the devaluation of local currencies has weakened the value of benefits (ILO 1994:26). Structural adjustment programmes have also resulted in the introduction of cost sharing in health care, in which service users are required to pay user-fees. This has made health services inaccessible to older people, who have a low capacity to afford them. The increased poverty and hardships associated with structural adjustment programmes have also affected the flow of remittances from adult children to their parents, seriously eroding their capacity to provide support to their parents, resulting in the increased vulnerability of older persons (Kaseke 2005:97).

## FINANCING OF SOCIAL SECURITY

Financing is a centrepiece for the design of strategies for the implementation of universal social protection systems. Without adequate and sustainable financing, government interventions in this field have difficulty in achieving their ultimate goals. For this reason, the pursuit of fiscal space to finance the extension of social security lies at the heart of the concerns of policy-makers on social protection. The main purpose of the ILO’s Global Campaign on social security and coverage for all is to develop comprehensive, consistent and properly coordinated social security systems that can provide universal protection against social risks throughout an individual’s life cycle. Many contemporary national social security systems are financed largely on a pay-as-you-go (PAYG) basis (Duran-Valverde and Pacheco 2012:7). However, critics argue that they will become unaffordable, inefficient or ineffective in the face of ageing populations, or owing to the competitive forces in the new global economy and to the growth of the informal economy. In market economy countries, sharp increases have been observed in the overall social expenditure ration (for example, social security expenditure measured as a percentage of GDP) in the 1960s and 1970s, followed by a levelling off during the second half of the 1980s and for most of the 1990s (ILO 1994:30). Worldwide, however, social security expenditure has been on the increase for decades.





## COMPARISON OF SELECTED COUNTRIES

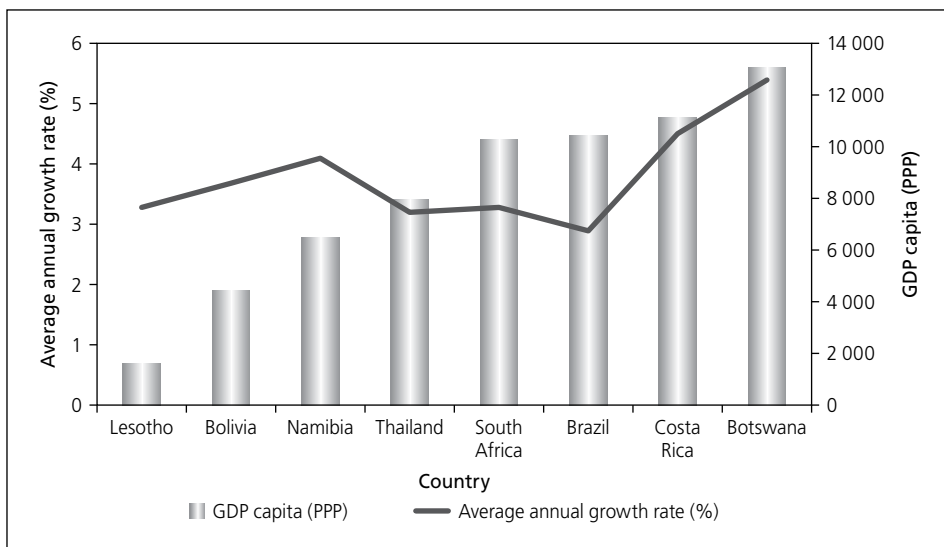
Eight case studies are briefly discussed here as a sample of highly heterogeneous countries: three Latin American countries, one Asian and four African countries, with populations ranging from two to five million (Namibia, Lesotho, Botswana and Costa Rica), to around ten million (Bolivia), to over 50 million (South Africa, Thailand and Brazil) (Duran-Valverde and Pacheco 2012:7).

Botswana, a country with a small population, has maintained one of the world's highest economic growth rates since independence in 1966. Economic growth was negative in 2009, after the global crisis reduced demand for Botswana's diamonds, but the economy recovered in 2010. By contrast, in terms of the size of its economy, Brazil ranks among the top ten economies in the world, and it is the biggest economy in the group, followed by Thailand and South Africa (see Figure 1). In terms of GDP per capita, the top four countries are Botswana, Brazil, Costa Rica and South Africa (all with a GDP per capita above US\$1;613) and Bolivia (US\$4;426). Thus, the sample contains a group of economies at very different stages of economic development and institutional maturity and with very different political models (Duran-Valverde and Pacheco 2012:7).

With respect to GDP growth, two groups of countries can be identified. The first group (Botswana, Costa Rica and Namibia) experiences an average annual growth rate above 4% between 1995 and 2009. The second group (Bolivia, Lesotho, South Africa and Thailand) had, average growth rates in the range of 3% to 3.9% partially attributable to low rates during the 1990s crisis.

Between 2005 and 2008, social spending averaged 21.3% of GDP while social protection (including health expenditures) averaged 14.6%. Overall, two in every three dollars spent in the social sector were allocated to social protection initiatives, a clear indication of the political will to support social protection initiatives (Duran-Valverde and Pacheco (2012:7).

**Figure 1: GDP per capita 2009 and GDP growth by country (1995–2009, PPP terms)**



Source: Duran-Valverde and Pacheco; (2012:7)

## **SOCIAL SECURITY CHALLENGES IN AFRICA**

Considerable challenges face governments and social security systems in Africa. Many of these challenges have led to a lack of credibility in the eyes of contributors, beneficiaries and the public. This mistrust results from the poor services provided to beneficiaries, and the mismanagement of funds and reserves (Olivier 2005:6). Some of the problems in this regard, and the responses to them, need to be explored in more detail.

## **INSTITUTIONAL DESIGN AND GOVERNANCE PROBLEMS**

### **Government interference**

The most important issue to be addressed in dealing with the lack of credibility in the funds concerned, concerns the inherited institutional design and the resulting governance problems. Good governance in social security schemes is critical for the viability and sustainability of the schemes. It is equally critical for building trust in institutions that have often been the subject of suspicion and scorn. That said, in many African countries, there are clear indications of excessive state intervention or interference. Governments often control the composition and appointment of governing boards, as well as social security administrations, the management of funds and investment decisions. Moreover, the relevant Minister is usually empowered by statute to give directions of a general or specific character to a board of management. This increases the possibility of political interference and may compromise the independence of the board concerned (Barbone and Sanchez 2000:7; Olivier 2005:6).

The description above may fit the experience in many if not most of the African countries, but there have been a number of positive changes on the continent. In Côte d'Ivoire (Ivory Coast), for example, there have been major institutional reforms resulting in the restriction of government intervention (N'Doumi 2003:273). In Kenya, boards have the authority to appoint management personnel; the participation of employees and employers through representative organisations has increased. Furthermore, a pension-specific regulatory authority, the Retirement Benefits Authority (RBA); has been established to oversee all pension arrangements (Barbone and Sanchez 2000:31).

### **Investment decisions**

A common trend in a number of countries is that government either borrows or appropriates resources from retirement funds. Often, governments direct these funds to invest in specific projects or companies. Such a policy appears to be problematic if, investment opportunities in these countries are limited: fund managers tend to invest in assets which may not provide the best yield, such as real estate (Diop 2003:134; Barbone and Sanchez 2000:16). Several studies by the World Bank show, that the returns on the investments of social security institutions in Africa in the last three decades have been negative, and these losses have been passed on to members of the scheme (World Bank 2000:36).

In Zambia, direct government control has been reduced by adopting legislation that provides investment guidelines. In Zambia and in some French-speaking African countries



separate investment committees have been established to deal with the important function of investing fund reserves (Diop 2003:126; Musenge 2003:137).

## **From lump sums to periodical pension**

Those who are struggling as a result of poverty often prefer once off payments. However, the funds paid out to beneficiaries are then quickly absorbed, with unfortunate repercussions. There is some debate on the sustainability of social security arrangements as a medium to long-term source of provision, especially if contributions have to be made over a long period, and if it is meant to be an effective measure to alleviate the effects of poverty (Olivier 2005:9).

The extensive use of provident funds in Africa is partly attributable to the colonial legacy, under a dispensation whereby pension funds were designed to protect the privileged few, while provident funds were set up to cater for the majority of the (low-paid) local population employed in the formal sector. Two consequences of this approach are the withdrawal of large parts of the benefits available to the individuals concerned before retirement, and the payment of lump sums instead of a periodic pension. Both strategies relegate beneficiaries to poverty once they have exhausted the funds. Hence, several countries including Zambia, Ghana, Nigeria and Tanzania, have transformed national provident funds into national pension systems, or set up a separate pension system at a national level while, effectively ring-fencing the scope and existence of provident funds. Other countries are reportedly considering a similar kind of reform (Olivier 2005:9).

## **Mismanagement – redirecting sources and high administrative costs**

Poor management of many national pension systems in Africa is a source of distrust in social security institutions. This mismanagement is largely attributable to a lack of adequate training and understanding of prudent social security principles. For example, in Cameroon, sources tend to be redirected from one kind of benefits to other benefits, such as pensions. In some cases, an inadequate contribution rate, dwindling contributor numbers and an increase in the number of beneficiaries put a strain on the schemes in general, and on some benefit portfolios in particular. In countries such as Cameroon, Togo and Côte d'Ivoire, pension expenditures already equal pension revenues, and fail to cover administrative expenditures. High administrative costs and the absence of budget constraints on administrative expenditures also contribute to a deterioration of fund reserves in many sub-Saharan countries (Olivier 2005:9).

## **CONCLUSION**

Social security institutions in Africa are generally met with a severe lack of trust and appreciation. There are many weak institutional designs that allow governments to interfere and direct the control and management of the institutions and their accumulated funds. Mismanagement of schemes contributes to the crisis experienced by some of these institutions, and reduces the meagre benefits paid out by the schemes. For social security to be sustainable, the funds, governments and all stakeholders have to work together. Only if

there is such cooperation can these institutions fulfil a meaningful social security function, and come to be perceived as trustworthy institutions which render a much-needed service effectively and efficiently. In addition, appropriate regulatory authorities need to be put in place to regulate the private and public environment and to ensure, amongst other things, proper customer care.

It is suggested that some more fundamental considerations need to be considered and factored in, if social security institutions on the continent are to be welcomed by the population and to be perceived as relevant. These considerations include adopting a more appropriate conceptual framework of social security for Africa, making suitable arrangements, introducing social and economic policies that are mutually reinforcing, extending coverage to those currently excluded, and developing a baseline approach to guarantee a minimum level of support. Addressing these overarching matters will ensure the survival and acceptance of these institutions not only in the short term, but also in the medium and long term.

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