Social protection policy: responses to older people's needs in Zanzibar

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

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Introduction

In February 2009 HelpAge International in partnership with the Zanzibar Department for Health and Social Welfare undertook a study to examine the needs of older people on the archipelago. Expert consultants were contracted to lead this process and develop policy recommendations on social protection and health, making links between the two areas where possible. This report focuses on social protection.

Zanzibar is an archipelago of islands off the coast of Tanzania with two main land masses: Unguja (1464 km^2) and Pemba (868km^2). The two islands are split into districts, six of which are in Unguja and four in Pemba. For each district there is a local government district office with approximately 30-40 staff. The districts are further divided into *Shahias* (villages). Each has a local community leader referred to as *Sheha*. Zanzibar is officially part of Tanzania but has its own elected government responsible for the islands' policies.

Currently the economy of Zanzibar is heavily dependent on two sectors: tourism and clove production for export but more recently has seen growth in sectors such as telecommunications. The service sector, including communications and tourism, now represents up to 51 per cent of GDP. Pemba remains relatively undeveloped compared to Unguja. The estimated GDP for 2009 is 842.1 billion Tanzanian shillings (TZS US$ 363,773,585). This translates to an annual per capita income of 683,161 TZS (US$513.3).[1]

HelpAge International had an office in Zanzibar until 2002, when it closed, but maintains an active interest in the archipelago through programmatic work and an ongoing relationship with the government. HelpAge International's presence in Zanzibar is understood by the Zanzibar Government as giving the island ambassadorial recognition.

[1] Based on 2005 GDP figure and modelled forward based on average growth rates over previous decade. In this report, the conversion rate used is 1 US$ = 1,331.00 TZS (November 2009)

Section 1: Older people's situation in Zanzibar

1.1 Demography

The last population census in Zanzibar took place in 2002 and recorded that There were 45,437 people aged over 60 on the islands making up 4.6 per cent of the total population. In 2009 according to the population model of the Office of the Chief Government Statistician, the number of older people has now grown to 49,725 but fallen to 4 per cent of the population.

Table 1.1 Older population by five-year age groups and sex in Zanzibar

	Total	Male	Female
60-64	16,194	8,088	8,106
65-69	12,855	6,426	6,429
70-74	8,733	4,233	4,500
75-79	5,719	2,771	2,948
80+	6,224	2,897	3,327
Total population	**1,232,589**	**607,208**	**625,381**

Table 1.2 Cumulative older population in Zanzibar 2009

	Total	Male	Female
60+	49,725	24,415	25,310
65+	33,531	16,327	17,204
70+	20,676	9,901	10,775
75+	11,943	5,668	6,275
80+	6,224	6,224	6,224
Total Population	**1,232,589**	**607,208**	**625,381**

While older people make up a relatively small percentage of the overall population, they head around 16.5 per cent of households in the country and are present in many other households.

Table 1.3 Households headed by older people

	Total	Male	Female
60 - 64	11028	6933	4096
65 - 69	6477	3986	2492
70 - 74	6299	3791	2509
75 - 79	2768	1715	1053
80+	4152	2387	1765
Total Households	**186,063**	**130,582**	**55,481**

1.2 Poverty in Zanzibar

In Zanzibar, 49 per cent of the population lives below the poverty line of 20,185 TZS (US$ 15.17) per month (down from 61 per cent in 1992). Thirteen per cent of people live below a basic needs food poverty line of 12,573 TZS (US$ 9.42 – down from 25 per cent in 1992). This analysis of poverty levels was carried out in 2004-5 in the Household Budget Survey (HBS) and it is hoped that a further survey will be carried out in 2009 (a further HBS was carried out in Tanzania in 2007 but was not extended to Zanzibar due to lack of funding). Unfortunately there is no breakdown of poverty by age, although raw data exists to enable this to be carried out in future.

Pemba Island experiences much higher poverty rates with 64 per cent below the poverty line compared to 59 per cent in Unguja. There is further variation by district with poverty reaching 74 per cent in Michewengi District in northern Pemba. The poorest groups in Zanzibar spend around 55 per cent of their total incomes on food purchases. In addition, in recent years residents of the islands have experienced food price inflation, which has been particularly severe in areas dependent on imports from the mainland.

1.3 Older people and health

Older people make up approximately 16 per cent of all those experiencing disability in Zanzibar, despite only making up between 4-5 per cent of the population, highlighting the close link between ageing and the onset of disability. Life expectancy currently stands at 57 for the island, based on the 2002 census. Particular conditions affecting older people are high blood pressure, diabetes, blindness/cataracts, strokes, elephantiasis, hearing loss, dementia and malnutrition.

1.4 Older people and government strategies

Older people's welfare is the concern of the Ministry of Health and Social Welfare. The ministry currently makes provision for some older people who are without relatives. A small number are housed and provided for in older people's homes, while a much larger number are provided with a small pension of 5,000 TZS (US$ 3.8).

The guiding strategy for the island's policies is the Zanzibar Strategy for Growth and Reduction of Poverty (MKUZA). This aims to help the archipelago achieve its vision for 2020 that poverty will be eliminated and growth improved. Older people are defined as a vulnerable group in the MKUZA strategy for poverty reduction alongside women, widows, youth, orphans, neglected children, people with disabilities and those affected by HIV and AIDS. Thus they are a legitimate group to target for poverty reduction policies. The factors contributing to the vulnerability of older people in MKUZA are cited as lack of productive assets and social support networks, inability to exploit available resources, the burden of looking after orphans and poor health status. There is currently no official strategy relating to older people although drafts have been produced.

1.5 Older people and work

According to the 2002 census, older people were much more likely to be unable to work, with 14.47 per cent of 60 to 65 year olds in this position, rising to 35.94 per cent for those aged over 65.

The majority (67 per cent) of older people are located in rural areas and are dependent on agriculture or fishing to earn an income or simply to survive on a subsistence basis. However, declining health and strength can make such physically demanding activities extremely difficult. Those in other forms of employment in the public sector, tourism or state clove production are often forced to retire at the age of 60. By no means all those retiring have adequate pensions to live on.

Many older people are also involved in unpaid work such as caring for children or grandchildren. Zanzibar has not been as severely affected by the HIV and AIDS epidemic as mainland Tanzania but older people are still caring directly for children who have been orphaned by the crisis. Perhaps more common is the phenomenon of older people caring for children whose parents have migrated in search of work, or whose parents have divorced and remarried.

While some older people remain able to support themselves, many others become dependent on other family members and their communities for support. The common perception is that these support networks work relatively well but in practice many older people receive inadequate assistance.

1.6 Existing pension provision in Zanzibar

Zanzibar runs a system of contributory pensions covering those employed in the public and formal sectors. All current workers are now paying into the Zanzibar Social Security Fund (ZSSF). The fund had 53,798 members in September 2008 representing 10 per cent of the overall workforce (taken as those aged between 18 and 60). This scheme has been operating since 1998 and is now collecting approximately 10 billion TZS (US$ 7,547,169) per year. This is made up of 10 per cent employer and 5 per cent employee wage contributions.

ZSSF currently provides only pensions and does not cover health insurance or unemployment benefit. Its delivery model is a mixture of pay as you go and fund investment. This means that some of the current contributions are funding current pensions, but that current contributions are also being invested to fund future pensions. On retirement at 60 people are given the choice of receiving a one-off gratuity payment with a reduced yearly pension, or a higher yearly pension.

Before ZSSF was instigated public pensions were managed directly by the Ministry of Finance. Around 7,000 people are currently still being paid pensions by the state at a cost of 4 billion TZS (US$ 3,018,868) per year. A further 2,800 who have retired since 2004 are receiving pensions from ZSSF. Pension amounts range from around 10,000 TZS (US$ 7.5) per month to 1,000,000 TZS (US$ 751) a month for high-ranking officials and politicians.

Alongside the contributory pension system the government also runs a small cash transfer scheme for vulnerable groups (including older people), which is administered at community level. Recipients now receive 5,000 TZS (US$3.8) a month, increased in 2007 from 500 TZS (US$0.38), the original amount when the scheme was introduced in 1966. In Pemba 4,771 older people receive this allowance, and in Unguja the number is 6353. In addition the Department for Health and Social Welfare runs an older people's home where residents are given 25,000 TZS (US$ 18.8 a month for their basic needs; a similar sum is given to members of former leper colonies.

Overall, only about 40 per cent of older people receive any form of cash payment in their old age. But the amounts transferred to those who do receive pensions or cash payments are very small. The 5,000 TZS cash transfer is not even a third of the basic needs food poverty line for 2004-05 and currently does not enable people even to buy enough food to survive.

Section 2: Field evidence

To complement the information available from statistical sources and from interviews with a variety of officials, a series of field visits were carried out as part of the study. Health assessments were made of 279 older people covering in particular their BMI and blood sugar levels. In addition, interviews were carried out with 69 older people[2] on their household situation in regard to their basic needs.

2.1 Basic needs analysis

Table 2.1 – Profile of those interviewed for basic needs analysis

Age ranges	**Male**	**Female**	**Total**
50 – 60 years	-	3	3
60 - 70 years	4	6	10
70 – 80 years	17	20	37
80 – 90 years	1	9	10
90 – 100 years	2	-	2
100 and above years	-	-	-
Total	**23**	**38**	**62**

Trend 1 Older people's caring role

The analysis found that the majority of older people interviewed were directly responsible in providing and caring for children or grandchildren. In North District and Wete (Makondeni) around 80 per cent had dependants within their household. In both cases the average number of dependants per household for all those interviewed was three; though the highest recorded was 12. In Wete (Gombani) 55 per cent were directly responsible for dependants, with just under two dependants per household. However, in this area, many more older people were living in households where they were partially responsible for dependants but received support from other adult household members.

There were two reasons why older people were caring for dependants. First, many older men had married younger wives and thus at the age of 60 and over still had a large number of children to support. Second, many older people were caring for grandchildren whose parents had either migrated to work or who had remarried into other families leaving their children behind. Even where parents had migrated, the level of financial or in-kind support to grandparents was often minimal (see Trend 3 below).

Trend 2 Cash transfers as a route to investment in local economies

In the analysis we asked older people what they would do if they had a small amount of extra money. Those who appeared to have the lowest incomes, or in some cases no incomes at all tended to state that they would buy extra food and basic supplies

[2] The actual number of interviews carried out was slightly larger but those under the age of 50 have not been included in the analysis.

with the cash. So it is likely that cash transfers to the poorest would serve the purpose of protecting them from hunger, malnutrition and destitution.

Those on slightly higher incomes, but often still struggling to pay for nutritious food, tended to state that they would use the money to invest in income-generating activities, for example, purchasing a cow in order to sell the milk.

Trend 3 Low levels of support from families to older people

It is often stated that older people are supported by their families as they face declining health and reduced ability to work. Our interviews revealed that support to older people was in most cases inadequate and in some cases non-existent.

In North District Unguja only one older person interviewed received regular support that could be classified as good. The majority of others received either partial support, when their family members could afford to help them, or support in the form of food. In Wete District (Gombani) nearly a third of those interviewed received no support at all. Those who did receive support stated that it was irregular or in the form of food. Women were more likely to receive support only in the form of food. In Wete District (Makondeni) most older people were supported by a stipend of 25,000 TZS (US$18.8) that they received as former sufferers of leprosy.

2.2 Conclusions

The high level of support that older people provide within their households serves to highlight the fact that any cash transfer to older people, such as a pension, will help not only older people themselves, but many child dependants. At the moment the majority of older people do not have a regular income.

The analysis highlights the point that a transfer to all older people rather than just the poorest could maximise the economic benefits of a pension for local areas (and in turn for Zanzibar's economy). This is because those who fall in the middle of the income distribution seem more likely invest the money a pension would offer. It is likely that the effect would grow as those who are currently struggling to survive become accustomed to a regular income.

The health of older people should be addressed, not just the later years of their lives but also at an earlier stage in life to prepare for healthy ageing. There is need to invest in people's health for sustainable development. Health in this context should also include nutrition.

Section 3: Social protection interventions for Zanzibar

3.1 The need for social protection

In Zanzibar around 60 per cent of older people receive no regular income at all. Of the 40 per cent who do receive some income, around half are receiving only the meagre 5,000 TZS (US$ 3.75) provided by the government. It is worth noting that in field interviews, those living in older people's homes that received 25,000 TZS (US$18.8), were still struggling to afford adequate nutrition for themselves without taking account of dependants. Even most of those receiving government pensions were only receiving 15-20,000 TZS (US$11.3-15.0). Those interviewed in fieldwork continued to work to make ends meet.

There is a popular belief that older people are provided for by their families so do not require government support. However, the evidence we have gathered in this study highlights that for most older people today this simply is not the case. Changing family structures, migration and general poverty have eroded traditional patterns of support, and even where support exists, it is normally inadequate. Only one interviewee was an older person receiving full and adequate support from their family.

Lack of income amongst older people affects not only their lives, but the wider households in which they live and the many dependants they care for directly. International evidence on the impact of social protection and pension schemes is given in Appendix 1. Alleviating older people's poverty will be vital if Zanzibar is to achieve its wider vision for 2020 of eliminating all poverty.

3.2 Options for social protection

Extending the contributory system

Zanzibar does have in the ZSSF an effective contributory pension scheme that covers workers in the formal sector. However, formal workers only represent around 10 per cent of the working age population (measured as those aged 18-60). Particularly in rural areas and Pemba, labour remains informal and agricultural, often on a subsistence basis. Whilst the number of formal workers may increase over time, there is never likely to be a situation where the majority of Zanzibarians will be covered by the ZSSF. Schemes have been tried in Sri Lanka to encourage informal workers to contribute to their own pension funds. However, with only around 10-15 per cent of those targeted joining the schemes, these have been marked by failure. The main problem is that even if farmers and fishermen contribute, they are often so poor that the amounts they put in are not adequate to fund any sort of reasonable pension for their old age. As a result the government is forced to subsidise pensions heavily.

Reforms to the existing contributory system do not address the current levels of poverty amongst older people, nor the situation of those reaching retirement age in the next 20-30 years when they will not have had time to build up contributions.

It is not reasonable to expect any significant or sudden change to the levels of informal and rural labour in Zanzibar. Therefore extending contributory systems will not provide pensions for all or even a majority of older people even in the future. Additional measures are required.

Extending targeted cash grants

Zanzibar has had some success in reaching destitute older people through its scheme to pay 5,000 per month. Local *Shehas* select potential beneficiaries and the cash is delivered via social welfare officers. However, not only is the amount extremely low, but there is still a huge amount of unmet need. As the scheme has a fixed budget, those in need can only be added to the scheme if an existing beneficiary dies. In the communities we visited, those receiving the grant appeared to be needy, but often no more so than many others.

There is international evidence that systems in the developing world based on selection of beneficiaries at local level never target accurately the poorest older people. As there is often very little difference between people's income and assets at local level, decisions on who receives a grant can become arbitrary. But more worryingly, the schemes are often captured by local elites who give money to their relatives and friends, or in some cases keep some of the funds. Overall, targeted systems are more open to corruption. Eligibility is unclear, meaning that the power to decide who gets paid lies with local officials or leaders.

The final problem with targeted schemes is that they are complex and expensive to administer. If the scheme in Zanzibar were to be extended it would become a heavy administrative burden on both local social welfare officers and local leaders. Social welfare officers would incur the risk of carrying larger amounts of cash with them and would require security protection.

Although the scheme which pays older people 5,000 TZS a month is greatly valued in communities, it is only responding to a fraction of the existing need amongst older people. It is unclear whether those most in need are the ones who are reached.

A universal pension scheme

Across southern Africa, governments have taken the policy decision to introduce social pension schemes that benefit all, or the vast majority of older people. In South Africa, Lesotho, Swaziland, Namibia, Botswana and Mauritius, universal or near-universal social pensions have proved successful and very popular. In Lesotho, the Ministry of Finance chose to implement a universal pension in 2004 against the advice of the World Bank and the IMF which have since had to admit their error in the face of the pension's success.

A small pension payment to all older people in Zanzibar would provide them and their wider households with significantly increased protection from poverty. The cash would help older people to afford food, enable them to access services such as healthcare, support the caring role that older people play and facilitate investment within communities. The pension could provide income to the 16.5 per cent of households headed by older people, and to other households where older people are present, particularly the most vulnerable, in which both older people and children live. For older people who are currently dependent in these households, the cash would enable them to make a positive contribution rather than being regarded as a financial burden.

A universal scheme, operating nationwide, allows for more cost-effective and efficient delivery mechanisms. The benefits include:

- significantly lower administrative costs as compared to means-tested schemes, due to the scheme's simplicity and ease of administration
- ensuring coverage of all poor older people – experience across the world has demonstrated that universal schemes have been very successful in reaching poor older people. The eligibility rules for universal schemes are much easier to understand and communicate.
- the possibility of running a universal scheme at national scale from the outset rather than gradually scaling up. The size of the scheme can also allow for the use of private sector delivery mechanisms and thus for the improvement of financial or communications infrastructure across the country.
- the political popularity of universal pension schemes as older people know that they will receive the payment and those who are not currently of pensionable age expect to receive it in the future.

One further policy question that is often asked is whether or not to exclude those already receiving a pension, or those with a high income. It can be tempting to do this to reduce the overall cost of the programme but immediately the simplicity of delivery is reduced and administrative costs therefore rise. In addition, the popularity of the scheme is reduced as those who are richer are precisely those who are likely to have paid taxes during their lives and who therefore feel that they should be part of a government tax-funded scheme. Leaving those with private pensions out of a national scheme can thus undermine political support.

Perhaps most crucially, means testing the pension for those with existing pensions or incomes can discourage both work and investment. From our research we found that public sector workers often received low pension payments. If they were to be excluded from the pension or older people's grant they might actually be worse off than their neighbours. As for those currently contributing to ZSSF, they would probably not wish to continue doing so if this would mean they would receive no future state assistance. It is important that a pension or older people's grant scheme is seen as a basic minimum income guaranteed by the government. Those who have saved privately or contributed to their own pensions, or who are currently doing so, should not be penalised. In addition, we found that those interviewed who currently had small pension incomes were the most likely to invest any extra money in setting up businesses. To exclude this group may limit the potential positive impact that a pension could have on the overall economy in Zanzibar.

Recommendation: **A universal pension scheme (which could be called an older persons grant) would be the most effective social protection instrument for Zanzibar. It would provide the best means of alleviating poverty amongst all older people, and it is also likely to be the most popular intervention and the easiest to implement.**

3.3 The cost of implementing a universal pension for Zanzibar

When determining the cost of a universal pension scheme, two key parameters need to be taken into account: age of eligibility and the size of the grant:

- **Age of eligibility** (the age of entitlement to the pension): The higher the age, the fewer the numbers that are eligible, and the lower the overall cost of the scheme.
- **Size of grant** (the cash amount provided to beneficiaries): The lower the size of the grant, the lower the overall cost of the scheme.

We have modelled a range of options for age eligibility in Zanzibar: 60+, 65+ and 70+. The most desirable option seems to be 60+ as this corresponds with the age of retirement and with a national life expectancy of 57 (lower in Pemba) 60 can be considered to be truly old age in the country context.

The size of the transfer in other universal pension schemes around the world tends to range between 20 and 45 per cent of GDP per capita. This range seems appropriate to the context of Zanzibar, where a 30 per cent per capita transfer would be approximately equal to the current food poverty line at roughly 17,000 TZS (US%12.8) per month.[3] A transfer of 43.9 per cent is equal to the 25,000 (US$15.0) TZS which is the amount transferred to older people for their needs if they live in government-provided accommodation, and is just under the basic needs poverty line.[4] A lower transfer of 20 per cent of GDP per capita (11,400 TZS – US$8.6) would be equivalent to around two-thirds of the food poverty line.

Table 3.1 – Monthly transfer amounts[5]

	TZS	US$
20% per capita GDP	11,400	9.00
30% per capita GDP	17,000	13.45
44% per capita GDP	25,000	19.78

Costs in 2009

The tables below represent the cost of different pension schemes in 2009 as a percentage of Zanzibar's overall GDP.

Table 3.2 - Cost of scheme as a percentage of GDP

	20% GDP transfer	30% GDP transfer	43% GDP transfer
Over 60s	0.85%	1.27%	1.86%
Over 65s	0.57%	0.86%	1.26%
Over 70s	0.35%	0.53%	0.77%

[3] Calculation based on a modelling of the food poverty line from 2004/05 levels to 2009 based on annual 5 per cent growth – exact amount for 2009 is 16,660 TZS
[4] Calculation based on a modelling of the basic needs poverty line for 2004/05 levels to 2009, based on annual 5 per cent growth – exact amount for 2009 is 26,650 TZS
[5] Exact percentage per capita GDP are 29.9 per cent and 43.9 per cent respectively – this was done to achieve round amounts in schillings. USD rate at 1=1,264 TZS, average rate April 2008 – April 2009 (www.oanda.com)

Table 3.3 – Cost of scheme in TZS (millions)

	20% GDP transfer	30% GDP transfer	43% GDP transfer
Over 60s	7,134	10,701	15,694
Over 65s	4.810	7,216	10,583
Over 70s	2,966	4,449	6,526

It is striking that the cost of providing the 30 per cent of GDP per capita transfer amount to all over-60s is similar to providing the higher amount (43 per cent of GDP per capita) to all over-65s. This is a key choice for Zanzibar to make in considering a pension scheme: whether to have a larger number of beneficiaries; or to ensure that each beneficiary receives a higher amount.

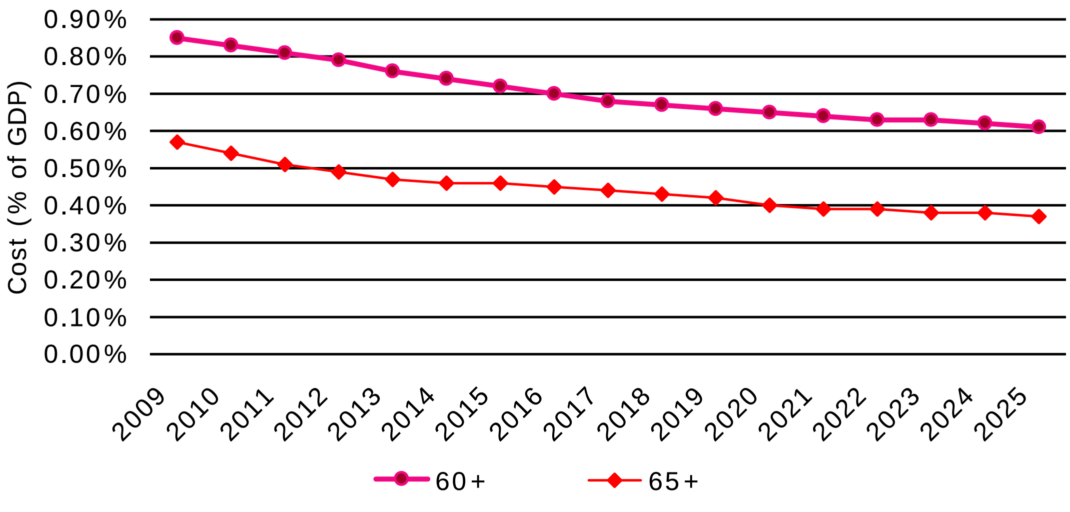
It is important to remember that these options are a starting point. A higher eligibility age can be brought down over time; equally the amount of the cash transfer to beneficiaries can be increased over time as the benefits of the programme become evident. Whilst it is tempting to start with a high level of transfer and a low age of eligibility this increases the risk that the pension will not be fiscally sustainable: the government could, as a result, be obliged to increase the age of eligibility and lower the level of transfer, both of which would be politically unpopular initiatives.

Costs of a universal pension over time

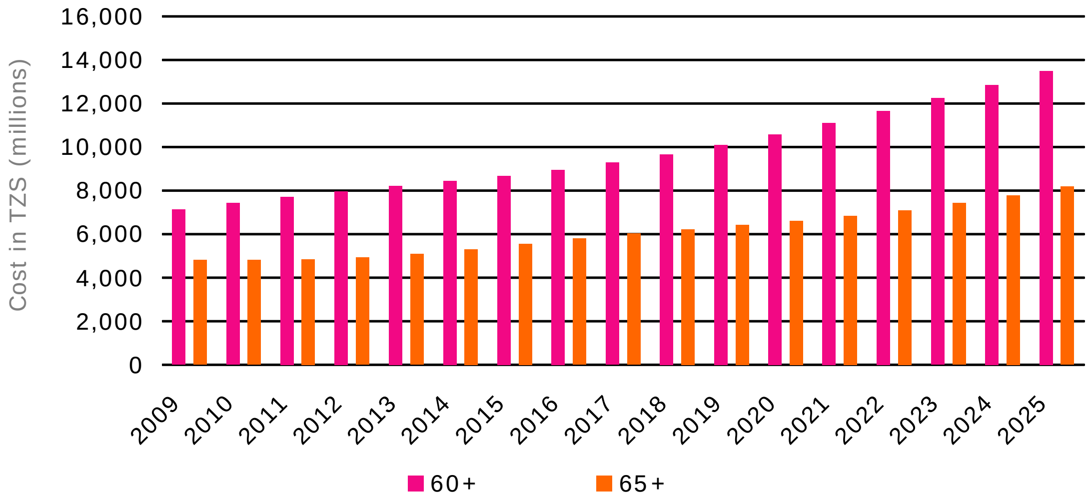
In addition to examining the costs in 2009 we have also used the population model provided by the Chief Statistician's Office to model forward the costs of the pension to 2025. To do this we have also assumed a conservative estimate of 2.9 per cent per capita growth, based on an average of growth rates between 2002 and 2007. The graphs below demonstrate how the costs of a pension fall over time relative to GDP, but grow in monetary terms.

Full costings of all different universal pension options are provided in Appendix 2.

Graph 1 Cost as % GDP over time 20% GDP per capita transfer



Graph 2 Cost in TZS over time for 20% GDP per capita transfer



Recommendation: **Given the retirement age and life expectancy in Zanzibar, the pension should benefit all citizens over 60 years of age. In terms of affordability, HelpAge International Tanzania suggests a starting amount of 11,500 Shillings per month equivalent to 20 per cent GDP per capita. This should be indexed to inflation and can be increased to respond to market changes in the future.**

Section 4: Delivering a universal pension scheme for Zanzibar

There are a number of key implementation issues for Zanzibar to address if it decides to put in place a universal pension or cash grant scheme. These are discussed below.

4.1 Registration processes

Critical to registering older people for the scheme is the ability to establish the age of individuals. Zanzibar is well placed to establish who is eligible for a pension scheme as it already has a national system of ID cards which include a person's date of birth. From our interviews the great majority of older people appeared to have a card. This is extremely positive for the country as establishing age after a pension scheme has been announced can lead to large numbers of people simply declaring themselves to be of eligible age.

For those without ID cards, Zanzibar would need to put in place a process of establishing age at a community level. International experience of assessing age has indicated that interviews should be conducted in which people are asked to recall memorable events from the country's history. The answers can then be cross-referenced to produce an estimate of the person's age. Save the Children found that some people in Northern Pemba did not have ID cards and were reluctant to sign up for them. In this case, an alternative would be to agree a list of older people at local level. However, our field research did not reveal barriers to older people receiving ID cards.

Once all members of a community have either ID cards or are listed they can be registered for the pension scheme. Basic data would need to be collected on older people and they would need to be issued with a means to receive the pension on an ongoing basis (this is discussed below but could be a payment book, payment card or even mobile phone).

There are two possible methods for carrying out registration:

- Push mechanism: individuals are found and signed up within their communities, for example, social welfare officers proactively find all older people by going door to door within villages.
- Pull mechanism: individuals are asked to travel to a particular location in order to register, perhaps even on a specified date.

A push mechanism is extremely labour intensive and would be likely to take a long time to carry out. Given the simplicity of eligibility for the scheme (on the basis of age) it would be more sensible to organise registration days in local centres. Older people could be given health checks at the same time as registering for the pension. In addition, having people together in one place would allow an opportunity to provide them with information on how they would receive their pension in future months and years. Social welfare officers could register any older people who failed to, or were unable to attend these days on an ongoing basis, in consultation with local *Shehas*.

Recommendation: **Registration for the universal pension scheme should take place in the form of events at local centres. These should be at an accessible distance for older people to travel. Older people should be deemed eligible on the basis of the age on their national ID cards or in exceptional circumstances, on the basis of a community consultation.**

In addition to an initial registration there will be a regular flow of people who reach the age of eligibility over time and others who are deceased. It is vital that there is a registry to store details of those who should be receiving the pension and to enable social welfare officers to add and remove people from the scheme. In order for the government to manage and budget for the scheme, some sort of central registry would be needed. But the level of detail on beneficiaries required would depend on the nature of the payment mechanism.

Because the scheme would be universal and well known, people reaching the age of eligibility would be expected to be able to join the scheme. However, there is a risk that individuals will continue to claim the benefit of those who are deceased. It is advisable for the government to provide a benefit to cover the costs of funerals, which would also encourage families to report the death of a family member.

Recommendation: **Social welfare officers should be responsible for the ongoing addition and removal of people from the pension scheme. They will need to have access to a local registry which would in turn feed into a central registry. Depending on the payment mechanism, the registry could be paper-based or electronic. A small funeral benefit should also be put in place to encourage reporting of deaths.**

4.2 Payment mechanisms for a universal social pension

Regular and reliable payments would be essential to the success of a universal pension scheme in Zanzibar. Predictability of payments is essential to enable the maximum developmental impacts of a pension to be felt, as people are able to plan their expenditure. Late or irregular payments can foster a reliance on informal credit, often at high interest rates, which erodes benefits and can create debt traps.

Many pension schemes pay cash to beneficiaries on a monthly basis. However, this is not always the case. Some pension schemes – in which the monthly grant is relatively low – pay less frequently. It may be possible to pay the pension every two or three months. This helps save on administrative costs. Payments that are less frequent than every three months are not advisable since beneficiaries are likely to spend long periods without access to cash. Whatever the frequency of payment chosen, it is critical that payments are predictable.

There are two clear options for payment mechanisms that are available in Zanzibar.

Option 1 Mobile banking

In Zanzibar, only government offices can be found in every district but these are not set up for paying cash to large numbers of people. In other countries, bank branches and post offices have been used to deliver cash by pulling people into central locations on a monthly or less frequent basis. Due to the scarcity of bank branches and post offices in Zanzibar this is not a feasible option, but there is the option to create mobile banking units which visit several destinations in a district. The cost of doing this was estimated by the People's Bank of Zanzibar to be 30,000 TSZ per day. Such a mobile service was originally put in place in Pemba but was withdrawn due to lack of use. However, if a pension was put in place then this approach could be cost effective.

If the system of mobile banking was put in place people could either be issued with a passbook or an ATM card. The latter would offer opportunities for the pension to eventually be paid via point-of-sale devices. These are the small hand-held devices that are used for payment by Visa and MasterCard, which can also be used to issue cash to an individual. They are not widely available in Zanzibar at present but could be used in future.

Option 2 Payment to cell phones

Telecommunications is one of the most rapidly expanding sectors in Zanzibar, with mobile coverage available across most parts of both islands, in particular through Zantel. Given the limited physical infrastructure in place across the islands, payment of cash transfers direct to cell phones is an attractive option for Zanzibar. It is an extremely direct form of cash transfer as the notification of the transfer arrives direct to people on their phones. They then have a choice as to when and where to collect the money, in contrast to mobile banking, which would entail a fixed location and fixed date for older people to receive their pensions.

In order for people to receive (and send) cash via cell phones they do need to have a bank account. SMS messages are used to send or receive money but people would not need to interact directly with this account. In the case of a universal pension people would only be receiving money. At the moment Zantel offers this service at four locations in Unguja. People are required to present the SMS message and a PIN number in order to receive cash. The transaction is then recorded on a computer network. However, technology exists to expand rapidly the number of places where people can receive cash from mobile phones. Zantel or another provider would have to issue point-of-sale devices to the many vendors and agents who act for them across the island. These devices could either be permanently connected to a phone line to record transactions, or could be offline but connected on a weekly, bi-weekly or monthly basis.

To implement a cell phone payment mechanism in Zanzibar substantial initial investment would need to be made in issuing older people with phones and vendors/agents with point-of-sale devices to issue cash. In addition, training would need to be provided to both to ensure that the system operated effectively. However, after the initial investment this payment mechanism would be extremely cheap, keeping administrative costs of the pension scheme low. In addition, the investment would be widely beneficial by improving the technological and financial infrastructure for communities across Zanzibar. Given the patterns of migration it could also be used to facilitate older people receiving cash from relatives living at long distances and even on the Tanzanian mainland.

Pros and cons of the options

The table below presents the considerations for Zanzibar in selecting an appropriate payment mechanism. International evidence on payment mechanisms is given in Appendix 3.

Table 4.1

	Pros	Cons
Mobile banking	- capacity for mobile banking to be rolled out already exists - easy for older people to understand - could help encourage the development of financial infrastructure across Zanzibar - older people pulled to particular location allows for health checks and services to be delivered.	- costs of this payment mechanisms do not reduce over time - potential long queues for cash on pension day - some older people may struggle to travel to fixed locations.
Payment by cell phone	- costs are much lower over the long term - more flexible to older people's needs as they can choose when and where to receive cash - expands technological infrastructure across the island - facilitates families to send money to their older relatives - cell phone can become a community resource - health messaging can be sent via SMS.	- initial high cost of infrastructure investment - potentially difficult for older people to use cell phones.

Recommendation: **Both payment mechanisms are potentially feasible for Zanzibar. A further more detailed study should be carried out to examine the full cost benefits of the options including pilot testing of the different mechanisms with older people.**

4.3 Monitoring and evaluation

Monitoring and evaluation of a universal social pension would need to take two forms. First, there would need to be internal monitoring to ensure that all potential recipients are registered onto the scheme and that payments are delivered in an effective and accessible manner. In particular, care will need to be taken to ensure that the pensions are reaching the poorest and most vulnerable older people, who are often excluded from social policy interventions. One possible method for doing this would be to implement a community-based complaints mechanism for the scheme. Problems could be resolved by social welfare officers and important issues passed to those responsible centrally for the scheme to ensure that necessary improvements were made.

The second aspect would be to monitor the impacts of the scheme on beneficiaries, their wider households and communities in general. In order for this to take place Zanzibar will need to establish a baseline against which to measure improvements. The questions necessary for a baseline could be integrated into another survey being carried out on the islands – for example, the Household Budget Survey – or a survey could be carried out separately. At the moment the data on poverty rates amongst older people on the island is out of date. Any survey would need to measure:

- reductions in poverty at individual and household level as a result of the pension
- changes to levels of economic activity in local communities attributable to the pension
- impacts of the pension on nutrition, health status, holding of assets and wellbeing for both older people and their dependants
- changes in school enrolment and attendance of children living in households with an older person.

In order to assess the direct impact of the pension, there will need to be a control group of households with a similar makeup but not containing an older person in receipt of a pension. To make sure that the households are comparable, preference could be given to those containing persons who fall just below the pension eligibility age. For a stand-alone study, a control group can be created that enrols older people from five years before they start the programme and tracks them over time. A group of individuals aged 55-59 may provide a reasonable control group for comparisons with a treatment group aged 60-70. A statistical technique called regression discontinuity can then be used to identify the impacts of the programme on poverty, nutrition, education, human capital development, labour market participation and livelihoods activity.

The quantitative evaluation of the programme should be complemented by qualitative research that will help to explain the reasons behind different patterns of behaviour. This can be based on a set of beneficiary case studies, with the first in-depth interviews taking place prior to the commencement of the pension scheme and followed up on a yearly basis. Beneficiaries should be a representative sample and be located across Zanzibar. Further qualitative information can be obtained from focus groups.

With investment in monitoring and evaluation, the example of a universal social pension in Zanzibar could become a model for other countries in East Africa and for mainland Tanzania.

4.4 Institutional arrangements

A number of central government departments in Zanzibar would need to be involved in the policy development for a universal pension scheme, although the natural policy lead would be the Ministry of Health and Social Welfare. In terms of implementation there would need to be strong engagement and involvement with the private sector – either the banks or the mobile telecoms providers, or both. This would need to be based on a strong service delivery contract with government. The local capacity of social welfare officers and *Shehas* at village level would also be vital. A full institutional analysis should be carried out at the next stage of development towards a pension scheme.

4.5 Funding arrangements

The cost of implementing a pension is US$8.81million in 2010 rising to US$10.3 million in 2015 but falling as a share of GDP from 1.24 per cent to 1.07 per cent.

There is growing international donor interest in social protection schemes such as pensions as a means of tackling poverty and promoting good development outcomes in health, education and in stimulating economic growth. It would be worthwhile for the government of Zanzibar to seek direct donor funding to support the first years of the scheme. There is also potential to do this in partnership with the government of Tanzania, which is also showing interest in developing a universal pension. A contribution from donors of just US$5 million a year would keep costs for Zanzibar at around 0.5 per cent of GDP, which is extremely affordable by international standards. Alternatively any donor funding could be frontloaded so that the cost to Zanzibar would rise gradually over time.

Table 4.2 – Potential donor funding model

	2010	2011	2012	2013	2014	2015
Donor contribution US$ millions	3.81	4.15	4.46	4.75	5.02	5.3
Zanzibar contribution US$ millions	8.81	9.15	9.46	9.75	10.02	10.3
% GDP total cost	1.24	1.22	1.18	1.15	1.11	1.07
% GDP cost to Zanzibar Government	0.54	0.55	0.56	0.56	0.56	0.55

A universal pension scheme would be likely to be extremely popular amongst the general population on the archipelago. It would benefit older people, their wider households and communities. In addition, even those not receiving the pension payment now would hope to do so in the future and would thus be likely to be supportive of general taxation being used to fund the scheme. But whilst funding for a pension could come from general taxation, there are also options for specific revenue raising. Consideration has often been given in Zanzibar to a range of specific levies on the tourist industry – such a levy could be used to part fund a pension. Using a small percentage of people's ZSSF contributions to create pooled funding for a universal pension is also a possibility.

The administrative costs associated with the scheme would vary according to the delivery mechanism chosen but would likely add around 5 per cent to the costs stated above. Both delivery mechanisms would benefit parts of the private sector by extending either banking or mobile telecommunications across the islands. The organisations that benefit could be requested to make a contribution to the administration of the scheme. In addition, the technological delivery of the scheme through mobile phones may be of interest to donors, private foundations or companies – for example, the Bill & Melinda Gates Foundation and the World Bank. There may also be duplication or overlap with other government funding streams aimed at improving infrastructure.

***Recommendation*:** **If the government of Zanzibar approves the concept of a universal pension scheme, a full assessment of potential donors and funding streams should be immediately carried out.**

Appendix 1: International experience on the positive impacts of cash transfers and pensions

Impact on poverty, nutrition and hunger

Social pensions and other social protection mechanisms can dramatically reduce poverty. In OECD countries poverty rates would be at least double what they are currently without interventions such as pensions. The evidence below relates specifically to pensions.

- Modelling carried out by HelpAge International in Malawi suggested that a pension of 30 per cent per capita GDP could cut the poverty gap for beneficiary households by 30 per cent. Reduction in the overall poverty gap for the country would be just over 5 per cent.
- In South Africa, the poverty gap has been reduced by 57 per cent among households containing an older person[6] while the poverty gap for the population as a whole has been reduced by 20 per cent as a result of the social pension.[7]
- In Mauritius the poverty rate amongst older-headed households with multiple children was reduced from 30 per cent to just 6 per cent.[8]
- In Lesotho the proportion of older people receiving a pension who never went hungry increased from 19 per cent to 48 per cent.[9]

Impact of pensions on children's wellbeing

- In Lesotho and Namibia, pensioners spend around 60 per cent of their cash on other people, mainly young children;[10] in Namibia, 55 per cent of cash received by others goes to grandchildren.[11]

- Significant improvements have been observed in children's height resulting from pension payments in both South Africa and Brazil. Girls in households containing an older person receiving a pension saw rises in height of 3-4cm,

6 DFID/EPRI, Social transfers and chronic poverty: emerging evidence and the challenge ahead, 2005
7 DFID/EPRI, 2005
8 Universal Social Pension in Mauritius – UNDESA Policy Brief 3
9 Croome D and Nyanguru A, *The Economic and Social Impacts of the Old Age Pension on the Protection of the Basotho Elderly and their Households,* South Africa, 2007
10 Croome and Nyanguru, 2007
11 Devereux, S, Social Pensions in Namibia and South Africa, IDS Discussion Paper 379, February 2001, Brighton: IDS

largely as a result of improved nutrition, compared to children in households without pensioners.[12]

- In South Africa there has been an 8 per cent increase in school enrolment amongst the poorest 20 per cent of households.[13]

- In Zambia, a small cash transfer of US$7 per month, provided mainly to older people, has resulted in a 16 per cent increase in school attendance among beneficiary households.[14]

Impact of social pensions on economic growth

Social protection programmes have an important role to play in promoting sustainable – and equitable – economic growth. The world's most successful economies have all invested heavily in social protection, particularly in pensions, and began doing so when they were much poorer than they are now. Developed countries are currently responding to the global financial crisis by boosting social welfare to stimulate demand.

- The positive impact on children's school attendance also helps to build a more productive and skilled workforce in the medium and long term, with significant economic impacts.
- Local markets are stimulated. In Lesotho around 18 per cent of cash from the pension was spent on activities that created jobs for others. In Namibia it has been estimated that, in the absence of the pension, up to half of the shops in many rural areas would close.[15]
- A study of the Oportunidas cash transfer scheme in Mexico has demonstrated large increases in assets among non-beneficiaries, as a result of the increased consumption in the community.[16]
- The regular nature of social protection allows people to take small risks and make small investments. In Zambia, beneficiaries of the Kalomo cash transfer programme have invested 29 per cent of the cash they have received in productive activities, such as agriculture and animal rearing. As a result, seven times as many households own goats.[17]
- In South Africa, pensions have enabled families to have increased access to credit and capital equipment.[18] In Lesotho, a 93-year-old man was able to use

[12] Barrientos, A., and Lloyd-Sherlock, Peter (2002) Non-Contributory Pensions and Social Protection http://www.sed.manchester.ac.uk/research/ageingandwellbeing/ncpps/Papers/ncpensionILO.pdf

[13] Samson, M et al, The Social and Economic Impact of South Africa's Social Security System. EPRI Research Paper Number 37, 2004

[14] Ministry of Community Development and Social Services and GTZ , First Monitoring Report: Pilot Cash Transfer Scheme, Kalomo District, Zambia, 2005

[15] Devereux, S, 2001

[16] Devereux S and Sabates Wheeler R, *Social protection for transformation* IDS, Brighton, Sussex, 2007

[17] Schubert B, Social Cash Transfers – Reaching the Poorest: Health, Education and Social Protection Sector Project: Systems of Social Protection A contribution to the international debate based on experience in Zambia, 2005, MCDSS/GTZ http://www2.gtz.de/dokumente/bib/05-0542.pdf

[18] Lund F, "Crowding in care, security, and macro-enterprise formation – revisitng the role of the state in poverty reduction, and in development", *Journal of International Development* 14:6, 2002, pp. 681-694

his pension to set up a small catering business to provide lunches for the local primary school, employing three others.[19]
- If the payment mechanisms for a pension extend financial or technological infrastructure this could further stimulate economic growth.

Potential impact of the pension on emergency preparedness

National pension schemes can also play an important role in helping countries deal with crises as part of their emergency response programmes. A scheme that has national coverage can allow governments, in the event of a crisis, to channel additional cash to affected areas with negligible additional administrative costs. It would only be necessary to increase the amount of the grant payment for the period of the crisis. Regular cash transfers in other countries have meant that, in the event of a crisis, people are less likely to sell their assets to buy food. In addition, the regular cash payments are often used to invest in agricultural production so that they can help prevent crises from occurring.

Promotion of social cohesion

Social protection can build social cohesion and creates a positive investment environment, as well as encouraging people to work. Sixty years ago, Mauritius had a mono-crop economy, high poverty rates and significant racial tension. Today, Mauritius has the lowest poverty rate in Africa and the International Monetary Fund has recognised the role played by the universal pension in explaining this "economic miracle".[20] In Botswana the social pension, introduced in 1996, has been a very effective mechanism for tackling the high levels of inequality in the country, thereby supporting social cohesion in Africa's fastest-growing economy.

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[19] RHVP, "Old Age Pension in Lesotho" Briefing Note 5, 2007

[20] Subramanian A and Roy D, "Who Can Explain the Mauritian Miracle: Meade, Romer, Sachs, or Rodrik?" IMF Working Paper 01/116 Washington, International Monetary Fund, 2001

Appendix 2: Fully costed options for pension scheme

1. Costs of a scheme giving a monthly transfer of 20% of GDP per capita (11,400 TZS)

a) as % GDP

Age	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Over 60	0.85	0.83	0.81	0.79	0.76	0.74	0.72	0.70	0.68	0.67	0.66	0.65	0.64	0.63	0.63	0.62	0.61
Over 65	0.57	0.54	0.51	0.49	0.47	0.46	0.46	0.45	0.44	0.43	0.42	0.40	0.39	0.39	0.38	0.38	0.37
Over 70	0.35	0.35	0.34	0.32	0.31	0.29	0.27	0.26	0.25	0.24	0.24	0.24	0.24	0.23	0.23	0.22	0.21

b) in US$ (millions)

Age	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Over 60	5.64	5.87	6.10	6.31	6.50	6.68	6.87	7.08	7.34	7.65	8.00	8.38	8.79	9.22	9.68	10.17	10.68
Over 65	3.81	3.81	3.83	3.90	4.03	4.20	4.39	4.59	4.77	4.93	5.08	5.24	5.41	5.62	5.87	6.16	6.48
Over 70	2.35	2.45	2.53	2.59	2.61	2.61	2.61	2.63	2.69	2.79	2.93	3.08	3.24	3.38	3.50	3.61	3.73

c) in TZS (billions)

Age	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Over 60	7.13	7.42	7.71	7.97	8.21	8.44	8.68	8.95	9.28	9.67	10.11	10.59	11.11	11.66	12.24	12.85	13.49
Over 65	4.81	4.81	4.84	4.93	5.09	5.31	5.55	5.80	6.03	6.23	6.43	6.62	6.84	7.11	7.42	7.79	8.19
Over 70	2.97	3.10	3.20	3.27	3.30	3.30	3.30	3.32	3.39	3.53	3.70	3.90	4.10	4.27	4.42	4.56	4.71

2. Costs of a scheme giving a monthly transfer of 30 per cent of GDP per capita (17,000 TZS)

a) as a percentage of GDP

Age	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Over 60	1.27	1.24	1.22	1.18	1.15	1.11	1.07	1.04	1.02	1.00	0.98	0.97	0.96	0.95	0.94	0.93	0.92
Over 65	0.86	0.81	0.76	0.73	0.71	0.70	0.69	0.68	0.66	0.64	0.63	0.61	0.59	0.58	0.57	0.56	0.56
Over 70	0.53	0.52	0.50	0.48	0.46	0.43	0.41	0.39	0.37	0.36	0.36	0.36	0.35	0.35	0.34	0.33	0.32

b) in US$ (millions)

Age	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Over 60	8.47	8.81	9.15	9.46	9.75	10.02	10.30	10.63	11.01	11.47	11.99	12.57	13.18	13.83	14.52	15.25	16.01
Over 65	5.71	5.71	5.75	5.85	6.04	6.30	6.59	6.89	7.16	7.40	7.62	7.85	8.12	8.43	8.81	9.24	9.72
Over 70	3.52	3.67	3.80	3.88	3.91	3.91	3.91	3.94	4.03	4.18	4.39	4.63	4.86	5.07	5.25	5.42	5.59

c) in TZS (billions)

Age	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Over 60	10.70	11.13	11.56	11.96	12.32	12.67	13.02	13.43	13.92	14.50	15.16	15.88	16.67	17.49	18.35	19.28	20.24
Over 65	7.22	7.22	7.27	7.40	7.64	7.96	8.33	8.70	9.05	9.35	9.64	9.93	10.26	10.66	11.13	11.68	12.29
Over 70	4.45	4.64	4.80	4.91	4.95	4.94	4.94	4.98	5.09	5.29	5.55	5.85	6.14	6.40	6.63	6.85	7.06

3. Cost of a scheme giving a monthly transfer of 44% of GDP per capita (25,000 TZS)

a) as a percentage of GDP

Age	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Over 60	1.86	1.82	1.78	1.73	1.68	1.63	1.58	1.53	1.49	1.47	1.44	1.43	1.41	1.39	1.38	1.36	1.35
Over 65	1.26	1.18	1.12	1.07	1.04	1.02	1.01	0.99	0.97	0.95	0.92	0.89	0.87	0.85	0.84	0.83	0.82
Over 70	0.77	0.76	0.74	0.71	0.67	0.64	0.60	0.57	0.55	0.53	0.53	0.52	0.52	0.51	0.50	0.48	0.47

b) in US$ (millions)

Age	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Over 60	12.42	12.92	13.42	13.88	14.30	14.70	15.11	15.58	16.16	16.83	17.59	18.43	19.34	20.29	21.30	22.37	23.49
Over 65	8.37	8.38	8.43	8.59	8.86	9.24	9.67	10.10	10.50	10.85	11.18	11.52	11.91	12.37	12.92	13.55	14.26
Over 70	5.16	5.39	5.57	5.69	5.74	5.74	5.74	5.78	5.91	6.14	6.44	6.79	7.13	7.43	7.69	7.94	8.20

c) in TZS (billions)

Age	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Over 60	15.69	16.33	16.96	17.54	18.07	18.58	19.10	19.70	20.42	21.27	22.23	23.30	24.44	25.65	26.92	28.27	29.69
Over 65	10.58	10.59	10.66	10.85	11.20	11.67	12.22	12.76	13.27	13.72	14.14	14.56	15.05	15.63	16.33	17.13	18.02
Over 70	6.53	6.81	7.05	7.19	7.25	7.25	7.25	7.30	7.47	7.76	8.14	8.58	9.01	9.39	9.73	10.04	10.36

Appendix 3: International evidence on payment mechanisms

- Namibia's NamPost has issued a number of pensioners with smartcards which they can use to draw their pension from ATMs;
- South Africa has a number of pilot studies underway to try out the use of smartcards, creating bank accounts and issuing debit cards to beneficiaries (the Sekulula card);
- Kenya is currently piloting the use of mobile phones in the delivery of a pilot pension in Northern Kenya; and
- Swaziland has set up a tender procedure for the private sector to deliver its Old Age Grant. Standard Bank tendered for this with a proposal to open bank accounts and issue debit cards to beneficiaries. This follows on the success of an emergency cash transfer pilot carried out by Save the Children in the country.[21]

In all these examples, beneficiaries were found to value the financial services (even, in some cases, once the transfer had ended), the banks were successful in training people to use the cards and accounts, and there were no problems with the adoption of the technologies.

[21] Beswick C, "Distributing cash through bank accounts: Save the Children's drought response in Swaziland", Johannesburg, FinMark Trust, 2008

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Appendix 4: Reference materials used during the study

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Tanzania Demographic and Health Survey 2004-2005

Tanzania 2004-05 Demographic and Health Survey Key Findings

Zanzibar Strategy for Growth and Reduction of Poverty (ZSGRP) The revolutionary Government of Zanzibar, January 2007