

Universal Social Protection

Universal pensions in Cabo Verde



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One step further in achieving social protection for all: Cabo Verde has given social protection a high priority on the road to development, showing a way to combine growth with equity in a context of scarce resources. The country is now one of the most advanced nations in Africa in terms of establishing a social protection floor.

Cabo Verde took two major steps towards a universal pension system: the creation of the National Centre of Social Pensions (CNPS) in 2006 and the unification of pre-existing non-contributory pension programmes. This unified scheme guarantees basic income security for the elderly over 60 years old, the disabled, and children with disabilities living in poor families.

Social pensions in Cabo Verde have reduced the level of poverty and vulnerability of its target population. It is also a concrete step in the direction of establishing a more comprehensive social protection floor.

The social pension covers about 46 per cent of the population 60 years old and over, and the value of the benefit is near 20 per cent higher than the poverty line.

Main lessons learned

- The case of Cabo Verde shows that rapid progress towards the universalization of pension systems is feasible and affordable in developing countries. Strong commitment by the Government is a key ingredient.
- The rapid expansion of pension coverage was achieved by combining contributory and non-contributory programmes.
- The creation of a specialized management institution -the CNPS in Cape Verde- is a critical factor to unify existing programs and keep the strategy on-track.
- Sharing existing infrastructure with other social protection programmes and institutions (post office services, local governments and organizations, and the private sector) allows

pension schemes to cover more people and save costs.

- The use of information technology further enables transparent, accountable, and sound management by creating linkages between databases for cross-checking of data and reduction of duplicates.

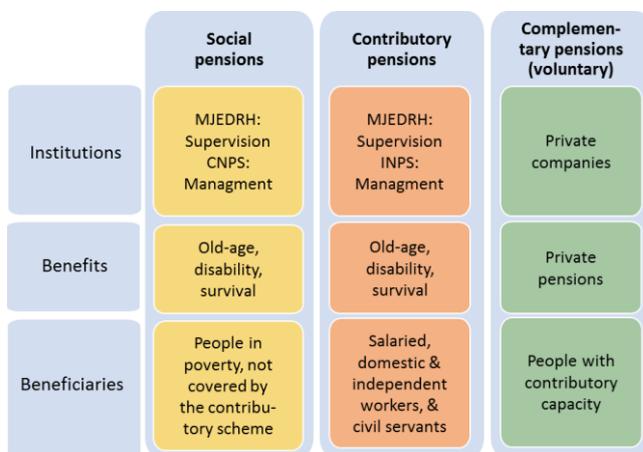


1. What does the system look like?

Cabo Verde’s social protection pension system is the responsibility of the Ministry of Youth, Employment and Human Resources Development. It includes three types of schemes: the non-contributory scheme (social pensions), the mandatory pension scheme that covers both salaried workers and independent workers, and the complementary pension scheme.

The social pensions are managed by the National Centre of Social Pensions (CNPS).

Figure 1. Structure of Cabo Verde’s pension system



Benefit packages: Beneficiaries of social pensions, including the elderly, children and other people with disabilities are entitled to receive a monthly payment of 5,000 Cabo Verdean Escudos (CVE) or about US\$65.

The pensioners also benefit from the Mutual Health Fund, which was established to subsidize the purchase of medicines from private pharmacies, up to an annual ceiling of 2,500 CVE. The Mutual Health Fund also provides a funeral allowance of 7,000 CVE.

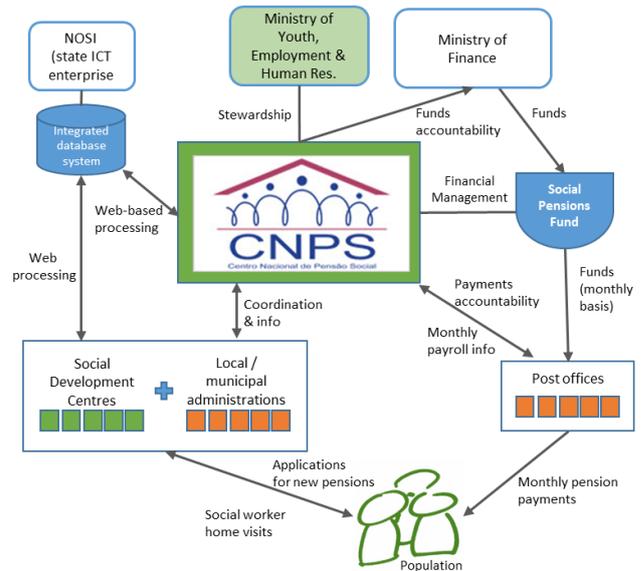
Financing: The social pensions cost nearly 0.4 per cent of GDP and are fully financed from the general state budget, whereas the Mutual Health Fund is financed from beneficiaries' monthly contributions of 100 CVE per pensioner (a mandatory contribution of 2 per cent of the social pension payment's current value).

Legal aspects: The CNPS, created in 2006, manages the social pensions in an autonomous manner. To qualify for the social pension for older persons, applicants must be resident in Cabo Verde, be 60 years old or above, have an income below the national official poverty line (4,123 CVE in 2007), and not to be covered by any other social security scheme.

Institutional arrangements for delivery: Social pensions are managed by the CNPS and paid through local post offices every month - rather than by the banking system in order to reduce the significant operational costs charged by banks. The process of claiming the pension starts locally, either through the intervention of Local Development Centres (CDS) or municipal governments. Applicants to the social pensions must complete a form for identification and selection of beneficiaries, as well as provide some basic documentation. Conditions for selection are verified by a social worker through a visit to the domicile of the applicant. The process finishes at the CNPS headquarters with the selection of the beneficiaries. In order to introduce more transparency and enhance governance, a web-based application was implemented to manage all the processes and procedures, thus creating an integrated and consistent database. All ICT

functions (software development, databases, and communications) are supported by NOSI, a state company that centrally manages the ICT of state institutions. This feature has allowed for significant progress in integrating the CNPS databases with those of other social protection programmes run on the different islands that comprise the country.

Figure 2. Organization of Cabo Verde's social pension system



2. How was this major breakthrough achieved?

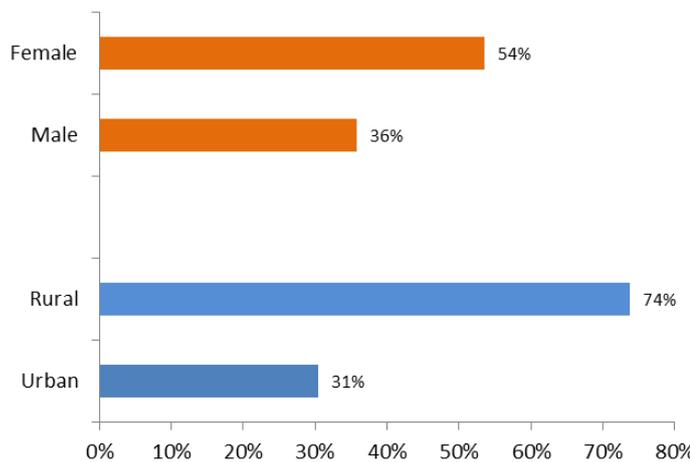
The CNPS was created in 2006 by merging two pre-existing non-contributory pension schemes. One of the main justifications for the creation of the CNPS was to reduce institutional dispersion in order to increase efficiency. In less than ten years, the social pension almost doubled its coverage by reaching out to women and people in rural areas. Considerable progress has been made in terms of administration improvements since the creation of the CNPS.

3. What are the main results in terms of impact on people's lives?

Outcomes. Cabo Verde is close to universalizing its pension system. When you add up the contributory and non-contributory coverage, it is estimated that over 90 per cent of older persons receive a pension. According to CNPS, the percentage of the population over 60 covered by a non-contributory

pension reached 46 per cent in 2010, among the highest levels in sub-Saharan Africa. In rural areas nearly 74 per cent of people over 60 years of age are protected by social pensions. The performance of CNPS is efficient with administrative costs estimated to be only 1.4 per cent of benefits.

Figure 2. Coverage rates of social pensions as a percentage of people over 60 years of age



Source: Estimates for 2010 based on CNPS reports.

Impacts on people’s lives: In terms of coverage, the social pensions have achieved their target. In 2013 more than 84 per cent of the pensioners were 60 or more years old and 69 per cent were women. A large share of beneficiaries is women living in rural areas, which is one of the most vulnerable groups in Cabo Verde.

The amount of the social pension (5,000 CVE) represents about 20 per cent of per capita GDP and is near 20 percent more than the poverty line. In other words, the value of the pension is sufficient for a person to cease to be in poverty.

4. What’s next?

Cabo Verde has made significant efforts to extend its social pension system and establish and consolidate its institutional capacity. There are still many challenges to face in order to achieve higher levels of effectiveness and efficiency. Some of these challenges include:

1. Continuing to reinforce the linkages between contributory and non-contributory schemes in the areas of the benefits design, administration, financing, delivery of services, and tools.
2. A key challenge is the creation of a single register of vulnerable population and beneficiaries of social protection, which will allow reducing administrative costs, higher cross control among social protection programmes, and therefore increasing effectiveness and efficiency of the whole system. A desirable final result of such effort could be the integration the non-contributory schemes which so far are operating in a rather fragmented way.
3. Continuing to improve IT and the administrative processes of identification and eligibility (including gathering best information on people’s income), payment of benefits, monitoring and evaluation. Furthermore, an ideal scenario is that all institutions managing social protection benefits could use a single system to perform those different functions.

Cabo Verde moved rapidly towards the universalization of its pension system, providing adequate old-age benefits. Some critical elements that explain this achievement are: the strong political will to finance social protection; the combination of contributory and non-contributory instruments; the unification of previously existing programs and their consolidation into a single specialized institution; the intensive and effective use of information technology; and the importance given to administrative modernization.



This Universal Social Protection brief was produced by Fabio Durán-Valverde and Joana Borges of the ILO. It was reviewed by Pedro Lara de Arruda of the International Policy Centre for Inclusive Growth, Isabel Ortiz and Valérie Schmitt of the ILO.

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